

[COMMITTEE PRINT]

EXPLANATION OF  
"DEADWOOD" PROVISIONS

(FORMERLY H.R. 25, 92D CONG., A BILL TO SIM-  
PLIFY THE INTERNAL REVENUE CODE OF 1954  
BY REPEALING PROVISIONS WHICH ARE OBSO-  
LETE OR ARE UNIMPORTANT AND RARELY  
USED)

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PREPARED FOR THE USE OF THE  
COMMITTEE ON WAYS AND MEANS

BY THE STAFF OF THE  
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION



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NOTE TO COMMITTEE

The following material is an explanation of an earlier version of the so-called "Deadwood" Bill. Those provisions have been revised in form although in substance the provisions remain the same. One exception to this is that the China Trade Act provisions have been removed from this category and placed in the foreign income provisions. Also, some provisions included in the following discussion are omitted in the current bill because they have been taken care of in legislation already enacted. Finally, a limited amount of deadwood provisions arising since 1971, have been added to the current provisions. However, they are similar in character to the provisions described here.

## EXPLANATION OF H.R. 25

This bill, which has been developed over a number of years, represents an attempt to simplify the tax laws by removing from the code those provisions which either are no longer used at all in computing current taxes or are little used and are of minor importance. It has been popularly referred to as the "deadwood" bill.

The bill repeals almost 150 sections of the Internal Revenue Code. It also makes deletions in approximately 850 other sections of the code. As a result, it repeals or makes amending deletions in approximately 1,000 sections of the code. The bill also makes other simplifying changes, such as the substitution of the term "ordinary income" for "gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231."

The provisions deleted include those which deal only with past years, situations which were initially narrowly defined and are unlikely to reoccur, as well as provisions which have largely, if not entirely, outlived their usefulness. In this latter category, for example, are the so-called China Trade Act corporation provisions.

While this bill is an attempt to simplify the code by deleting the "deadwood" it does not attempt to achieve simplification through substantive changes in existing law. This bill, therefore, does not deal with policy issues or with substantive changes in generally applicable provisions.

The following is a section-by-section explanation of the provisions of the bill.

### TITLE I OF BILL: AMENDMENTS OF SUBTITLE A (INCOME TAXES)

#### Chapter 1. Normal taxes and surtaxes

##### Subchapter A. Determination of tax liability

###### *Sec. 101 (amends sec. 2 of code)—certain married individuals living apart*

Subsection (a) deletes a reference to section 152(a)(10), which is repealed by sec. 132(a) of the bill.

Subsection (b) makes more readable a provision which says that a married person living apart from his spouse is in certain circumstances to be treated as not married.

###### *Sec. 102 (amends sec. 4 of code)—rules for optional tax*

This amendment strikes out a provision no longer needed since the optional tax tables (for adjusted gross income below \$10,000) are prepared by the Treasury and are no longer set forth in the statute.

*Sec. 103 (amends sec. 5 of code)—cross references to special limitations on tax*

This amendment deletes cross references to section 632, which is repealed by sec. 224 of the bill, and section 1347, which is repealed by sec. 357 of the bill.

*Sec. 104 (amends sec. 11 of code)—normal tax and surtax on corporations*

These amendments strike out references to corporate normal tax and surtax rates applicable to years before 1965.

*Sec. 105 (repeals sec. 35 and amends secs. 36 and 702 of code)—partially tax-exempt interest*

Subsection (a) repeals section 35, since there no longer are any outstanding Federal obligations producing interest which is partially exempt from income tax under that section. Section 35 relates to individuals; section 242, relating to corporations, is repealed by sec. 145 of the bill.

Subsections (b) and (c) conform sections 36 and 702 to the repeal of section 35.

*Sec. 106 (amends sec. 37 of code)—credit for retirement income*

Subsection (a) deletes the obsolete reference to the retirement income credit percentage applicable for taxable years beginning in 1964 and also deletes a reference to section 35, which is repealed by sec. 105 of the bill.

Subsection (b) strikes out a reference to "Territory", since there are no longer any Territories.

*Sec. 107 (amends sec. 39 of code)—credit for taxes paid on gasoline, special fuels, and lubricating oil*

This amendment repeals subsection (b), a transition rule relating to 1965, 1966, and 1967.

*Sec. 108 (amends sec. 46 of code)—investment credit*

Subsection (a) deletes a reference to section 35, which is repealed by sec. 105 of the bill.

Subsection (b) strikes out a provision which applied to an unused investment credit for a taxable year beginning in 1961 and ending in 1962.

*Sec. 109 (amends sec. 51 of code)—tax surcharge*

This amendment strikes out the expired tax surcharge provisions.

*Sec. 110 (amends sec. 57 of code)—items of tax preference*

Subsections (a), (d), and (e) delete the provisions relating to excess investment interest, since under present law excess investment interest is a tax preference only for taxable years beginning before January 1, 1972.

Subsections (b) and (c) make clerical amendments to definitions of tax preferences to make use of the new definition of "net capital gain."

*Sec. 111 (amends sec. 58 of code)—rules for application of minimum tax for tax preferences*

This is a clerical amendment to correct a reference to section 1372(b)(1).

### Subchapter B. Computation of taxable income

*Sec. 115 (amends secs. 61, 305, 351, and 356 of code)—general definition of gross income*

Subsection (a) strikes out the 15 items that are listed as includible in gross income. These are examples only and are not exhaustive of the items of gross income.

Subsection (b) conforms cross references in sections 305, 351, and 356 to the change made by subsection (a).

*Sec. 116 (adds new secs. 64 and 65 and amends secs. 80, 306, 707, 735, 871, 881, 1236, 1243, 1249, 1252, and 1441 of code)—definition of ordinary income and ordinary deductions*

This section of the bill adds definitions of ordinary income and ordinary deductions, and makes conforming amendments to nine other code sections not otherwise amended by the bill.

*Sec. 117 (amends sec. 72 of code)—annuities*

This amendment strikes out an internal effective date that is no longer needed, a reference to prior income tax laws, and a cross reference to section 1021, which is repealed by sec. 301 of the bill. It also removes from the code a special provision for joint and survivor annuities where the first annuitant died in 1951, 1952, or 1953, but the provision continues to apply to any existing cases.

*Sec. 118 (repeals sec. 78 of code)—mortgages made or obligations issued by joint stock land banks*

This provision repeals an obsolete provision providing for the taxation of income (except interest) from joint stock land bank mortgages or obligations. Joint stock land banks have not been permitted to make new loans after May 12, 1933, and it is understood that there are no joint stock land bank mortgages or obligations currently outstanding.

*Sec. 119 (amends sec. 83 of code)—election to include the value of restricted property in gross income*

This amendment strikes out an internal effective date reference (to 30 days after the date of enactment of the Tax Reform Act of 1969), which is no longer needed.

*Sec. 120 (amends sec. 101 of code)—tax treatment of certain death benefits*

Subsection (a) is a clerical amendment to conform a cross reference to the definition of educational organization.

Subsection (b) strikes out an internal effective date (August 16, 1954), which is no longer needed.

*Sec. 121 (amends sec. 103 of code)—tax-exempt interest*

This amendment strikes out parts of subsection (a) and all of subsection (b) relating to the exempt status of interest on United States obligations, since there are no outstanding obligations of the United States or of any United States instrumentality which produce interest exempt from income tax under this provision. Other parts of section 103 are conformed to this change. A reference to section 151(e)(4) is changed to section 170(b)(1)(A)(ii) to consolidate in one section the definition of "educational organization." The list in subsection (e) of cross references to other laws is updated.

*Sec. 122 (amends sec. 104 of code)—exclusion of compensation for injuries or sickness*

This amendment makes conforming changes in citations to other statutes in the U.S. Code.

*Sec. 123 (amends sec. 108 of code)—income from discharge of indebtedness*

This provision strikes out a special rule of very limited current applicability relating to an exclusion from income for railroad corporations for income arising upon the discharge of indebtedness pursuant to a receivership proceeding or reorganization proceeding under the Bankruptcy Act which was commenced before January 1, 1960. The special rule continues to apply to any existing railroad corporation receivership or reorganization case commenced prior to 1960.

*Sec. 124 (amends sec. 115 of code)—income of States, municipalities, etc.*

This provision repeals subsections (b) and (c) because it does not appear that there are in effect any pre-1916 public utility or pre-1928 bridge acquisition contracts to which these provisions apply.

*Sec. 125 (amends sec. 116 of code)—partial exclusion of dividends received by individuals*

Subsection (a) strikes out a 1954 Code internal effective date that is no longer needed.

Subsection (b) strikes out a reference to the China Trade Act corporation provisions, which are repealed by sec. 285 of the bill.

*Sec. 126 (amends sec. 117 of code)—scholarship and fellowship grants*

This amendment changes a cross reference from section 151(e)(4) to section 170(b)(1)(A)(ii) to consolidate in one section the definition of "educational organization."

*Sec. 127 (amends sec. 124 of code)—cross references to other Acts*

This amendment updates the list of cross references to other Acts.

*Sec. 128 (amends sec. 141 of code)—standard deduction*

This amendment eliminates percentage standard deduction rules applicable to taxable years beginning before 1972.

*Sec. 129 (amends sec. 143 of code)—determination of marital status*

This amendment conforms to the repeal of code section 153 by sec. 133 of the bill, by making the determination of marital status as provided in this provision apply to Part V as well as Part IV by inserting "Part V" after "this part."

*Sec. 130 (amends sec. 144 of code)—election of standard deduction*

This amendment makes a change required by the Tax Reform Act of 1969, which raised the standard deduction tax tables from \$5,000 to \$10,000.

*Sec. 131 (amends sec. 151 of code)—personal exemptions*

This amendment replaces the definition of "educational institution" with a cross reference to a similar definition in section 170(b)(1)(A)(ii). This consolidates in one section the definition of "educational organization."

*Sec. 132 (amends sec. 152 of code)—definition of dependent*

Subsection (a) eliminates from the definition of dependent a rare case of a distant relative (not otherwise includable as a dependent) who is receiving institutional care outside the taxpayer's home.

Subsection (b) conforms a cross reference to the change made by secs. 129 and 133 of the bill consolidating the rules for determining marital status in section 143.

Subsection (c) eliminates a rarely used special rule which treats as a dependent a nonresident alien who was legally adopted in the Philippine Islands before 1956 by the taxpayer while in the Armed Services.

Subsection (d) changes a cross reference from section 151(e)(4) to section 170(b)(1)(A)(ii) to consolidate in one section the definition of "educational organization."

*Sec. 133 (repeals sec. 153 of code)—determination of marital status*

This section is repealed, since section 143 provides the same rules for determination of marital status.

*Sec. 134 (amends sec. 154 of code)—cross references*

This redesignates the section as section 153 and adds a cross reference conforming to secs. 129 and 133 of the bill.

*Sec. 135 (amends sec. 163 of code)—interest*

Subsection (a) changes a cross reference from section 151(e)(4) to section 170(b)(1)(A)(ii) to consolidate in one section the definition of "educational organization."

Subsections (b), (c), and (d) make clerical amendments to make use of the new definitions of "net capital gain" and "ordinary income."

*Sec. 136 (amends sec. 164 of code)—taxes*

This amendment strikes out an internal effective date and a transitional rule that are no longer needed. It also removes from the code a provision that permits the deduction of amounts paid to the Atomic Energy Commission for municipal-type services. This provision has no current application. However, it may apply in the future for a short period with respect to certain property in Los Alamos, New Mexico, when sold by the AEC. For this reason, the provision is retained in the Public Laws.

*Sec. 137 (amends sec. 165 of code)—losses*

This amendment strikes out the provision that treats Cuban expropriation losses of individuals on personal-use assets as casualty losses. This provision applies only to losses sustained before January 1, 1964.

*Sec. 138 (amends sec. 166 of code)—worthless nonbusiness debts*

This is a clerical amendment to make use of the term "short-term capital loss".

*Sec. 139 (amends sec. 167 of code)—depreciation*

Subsection (a) substitutes "August 16, 1954," for "the date of enactment of this title" as the effective date of the provision.

Subsection (b) deletes transitional rules for a change in the method of depreciation with respect to section 1245 property (applicable to the first taxable year beginning after December 31, 1962) and section 1250

property (applicable to the first taxable year beginning after July 24, 1969).

Subsection (c) substitutes "October 16, 1962" for "the date of enactment of the Revenue Act of 1962" as the effective date of the provision.

Subsection (d) substitutes "by June 28, 1970," for "within 180 days after the date of enactment of this subparagraph," as the date by which an election must have been made under the provision.

*Sec. 140 (repeals sec. 168 and amends sec. 1082 of code)—amortization of emergency facilities*

This provision repeals the provision allowing 5-year amortization of emergency facilities. The existing provision does not permit certification of emergency facilities after 1959. The bill allows one year after the date of enactment for taxpayers to place in service under section 168 any property certified before 1960 but not yet placed in service, if the provision would have applied in the absence of this section of the bill. A conforming change is made in section 1082.

*Sec. 141 (amends sec. 170 of code)—charitable, etc., contributions and gifts*

Subsection (a) deletes references to transitional deduction percentages and transitional income percentages applicable to taxable years beginning before 1972.

Subsection (b) substitutes "February 26, 1964" for "the date of enactment of the Revenue Act of 1964" as the effective date of the provision.

Subsections (c) and (d) strike out references to a provision deleted by the Tax Reform Act of 1969.

Subsection (e) changes a cross reference from section 151(e)(4) to section 170(b)(1)(A)(ii) to consolidate in one section the definition of "educational organization."

Subsections (f) through (j) change citations to conform with current practice.

*Sec. 142 (amends sec. 171 of code)—amortizable bond premium*

This amendment strikes out references to bonds partially tax-exempt under sections 35 and 242, which are repealed by secs. 105 and 145. A special rule dealing with certain bonds acquired between 1954 and 1958 (section 171(b)(1)(B)(iii)), is retained in the Public Laws.

*Sec. 143 (amends sec. 172 of code)—net operating loss deduction*

This provision repeals subsections (f), (g), (i), and (j)(4), dealing with transition rules for 1953 and 1954, for 1957 and 1958, and for 1955 and 1956. Conforming changes are made to other parts of the section; an internal effective date is stricken; a conforming change is made to reflect repeal of section 242 by sec. 145; and a United States Code citation is provided for a cross reference to another law.

*Sec. 144 (amends secs. 174 and 175 of code)—research and experimental expenditures and soil and water conservation expenditures*

This amendment substitutes "August 16, 1954" for "the date on which this title is enacted" as the effective date of these provisions.

*Sec. 145 (repeals sec. 242 and amends secs. 1503 and 1562 of code)—partially tax-exempt interest*

Subsection (a) repeals section 242, since there no longer are any outstanding Federal obligations producing interest which is partially exempt from income tax under that section.

Subsection (b) and (c) conform sections 1503 and 1562 to the repeal of section 242.

*Sec. 146 (amends sec. 243 of code)—dividends received by corporations*

Subsection (a) adds a citation to the Investment Act of 1958.

Subsection (b) strikes out a parenthetical clause which applies only in certain special cases in which the taxable year of a member corporation in an affiliated group began in 1963 and ended in 1964.

Subsection (c) makes conforming amendments needed by reason of the repeal of section 615 (pre-1970 exploration expenditures) by sec. 222 of the bill and the repeal of transitional provisions in sections 6154 and 6655 by secs. 621 and 672 of the bill.

*Sec. 147 (amends sec. 246 of code)—rules applicable to the dividends received deduction*

This amendment strikes out a reference to the China Trade Act corporation provisions, which are repealed by sec. 285 of the bill.

*Sec. 148 (amends sec. 248 of code)—organizational expenditures*

This amendment substitutes "August 16, 1954" for "the date of enactment of this title" as the effective date of this provision.

*Sec. 149 (amends sec. 265 of code)—tax-exempt interest*

This amendment conforms section 265 to the repeal of section 35 and 242 by secs. 105 and 145 of the bill.

*Sec. 150 (amends sec. 269 of code)—presumption in the case of disproportionate purchase price*

This amendment repeals the presumption of a tax avoidance purpose in certain cases where the consideration paid for stock or assets of a corporation is disproportionate to the basis of the assets. The consideration is likely to be more disproportionate if the parties do not take the tax benefit into account as an asset to be sold than if they do. Moreover, under general principles of tax litigation the Commissioner's determination of tax avoidance motive is presumptively correct, and the burden of proof is already on the taxpayer. Therefore, this provision has little or no meaning.

*Sec. 151 (amends sec. 275 of code)—nondeductible taxes*

This amendment deletes the obsolete reference to corresponding provisions of prior laws in the provision denying a deduction for income tax withheld from wages.

*Sec. 152 (amends sec. 281 of code)—terminal railroad corporations and their shareholders*

Subsection (a) inserts a citation to the Interstate Commerce Act.

Subsection (b) strikes a transitional provision applicable to taxable years ending before October 23, 1962.

### Subchapter C. Corporate distributions and adjustments

*Sec. 160 (amends sec. 301 of code)—certain distributions by personal service corporation and distributions of antitrust stock*

Subsection (a) repeals section 301(e), since it is not believed that there are any corporations classified as personal service corporations under the Revenue Acts of 1918 and 1921 that have not already distributed the earnings and profits to which those Acts applied.

Subsection (b) repeals section 301(f), the special rules for distributions of antitrust stock. These provisions apply only to the distribution of General Motors stock by duPont which has long since been completed. Thus, these provisions are no longer needed.

Subsection (c) reletters a subsection of the code to conform to repeals of subsections (e) and (f).

*Sec. 162 (amends sec. 312 of code)—earnings and profits*

This amendment strikes out rules for computing earnings and profits with respect to distributions by personal service corporations under the 1939 Internal Revenue Code, and with respect to distributions of duPont stock under section 301(f) which is repealed by sec. 160 of the bill. It also strikes out two effective dates that do not apply to current taxable years. The deleted provisions can affect current and future taxable years, since they affect the earnings and profits account which is cumulative from 1913 to the present. However, under the general principle that earnings and profits adjustments for a taxable year are based on the law applicable to that year, this is also true of many other repealed provisions of the tax law that affected earnings and profits.

*Sec. 163 (amends sec. 331 of code)—gain or loss in corporate liquidations*

This amendment conforms the cross references in section 331 to amendments made by sections 295 and 296 of the bill.

*Sec. 164 (amends sec. 333 of code)—election as to recognition of gain in certain liquidations*

This amendment strikes out an internal effective date, conforms cross references, and removes from the code (but preserves in the public laws) a special rule relating to liquidations of certain personal holding companies.

*Sec. 165 (amends sec. 334 of code)—basis of property received in liquidation of subsidiary*

This amendment deletes an internal effective date reference (June 22, 1954) that is no longer needed.

*Sec. 166 (amends sec. 337 of code)—nonrecognition of gain or loss on certain liquidations*

This amendment deletes an internal effective date reference (June 22, 1954) that is no longer needed.

*Sec. 167 (amends sec. 341 of code)—collapsible corporations*

These amendments are clerical amendments to make use of the new definition of "ordinary income."

*Sec. 168 (repeals sec. 342 of code)—liquidation of certain foreign personal holding companies*

This section repeals the provision taxing as short-term capital gain, gain on the liquidation of certain corporations that were foreign personal holding companies in 1937. The corporations affected by this provision were given a chance to liquidate at long term capital gain rates for a period after this provision was enacted, and again in 1954 through 1956. Moreover, the rule does not apply to sales of stock, and long term capital gain rates could be obtained by selling the stock rather than liquidating the corporation. It seems likely that the provision will rarely, if ever, be applied, and therefore is deleted as unimportant and rarely used.

*Sec. 169 (repeals sec. 363 of code)—cross reference*

This provision repeals an unnecessary cross reference provision relating to the effect on earnings and profits of corporate organizations and reorganizations.

*Sec. 170 (amends sec. 372 of code)—basis in connection with certain bankruptcy proceedings*

Subsection (a) strikes out an unnecessary citation reference.

Subsection (b) deletes a reference to section 373(b), since section 373 is repealed by sec. 171 of the bill, and the substance of section 373(b) (2) is incorporated into section 374(b) by sec. 172 of the bill.

*Sec. 171 (repeals sec. 373 of code)—nonrecognition of loss in certain railroad reorganizations*

This provision repeals the provisions for nonrecognition of loss on transfers made before August 1, 1955, in certain railroad reorganizations, pursuant to a court order. The related basis provisions are moved to section 374(b)!

*Sec. 172 (amends sec. 374 of code)—nonrecognition of gain or loss in certain railroad reorganizations*

This section amends the basis provisions for property transferred after July 31, 1955, in certain railroad reorganizations to include similar rules now in section 373, for property transferred before that date. It also revises the citations to the Bankruptcy Act to conform with current practice.

*Sec. 173 (amends sec. 381 of code)—carryovers in certain corporate acquisitions*

Subsection (a) is a conforming amendment required by the repeal of section 615 by sec. 222 of the bill.

Subsection (b) makes a clerical amendment required by the repeal of section 545(b) (7) by sec. 200 of the bill.

Subsection (c) strikes out a provision (no longer needed) which dealt with liquidation of a subsidiary prior to 1954.

*Sec. 174 (repeals secs. 391 through 395 of code)—effective dates of subchapter C*

This section strikes out (effective for taxable years beginning with 1971) the effective date provisions of subchapter C. These are not needed for transactions occurring in the future.

**Subchapter D. Deferred compensation, etc.***Sec. 180 (amends sec. 402 of code)—taxability of beneficiary of employees' trust*

Subsection (a) is a clerical amendment to make use of the term "long-term capital gain".

Subsection (b) strikes out obsolete provisions pertaining (1) to certain trust agreements made before October 21, 1942, and (2) to certain distributions from employee trusts made before January 1, 1955.

Subsection (c) conforms the terminology and the citations in the code relating to the Civil Service retirement laws to the recent changes made in those laws. (It substitutes "basic pay" for "basic salary".)

*Sec. 181 (amends sec. 403 of code)—taxation of employee annuities*

Subsection (a) is a clerical amendment to make use of the term "long-term capital gain".

Subsection (b) changes a cross reference from section 151(e)(4) to section 170(b)(1)(A)(ii) to consolidate in one section the definition of "educational organization."

*Sec. 182 (amends sec. 404 of code)—deduction for contributions to pension plans, etc.*

This provision repeals subsection (d), which permits limited carryovers of certain pension plan contribution deductions from 1939 Code years to 1954 Code years if the carryover deductions would have been allowable if the 1939 Code provisions had remained in effect. It is believed that any such eligible carryovers have by now been used or otherwise dissipated.

**Subchapter E. Accounting periods and methods of accounting***Sec. 185 (amends sec. 453 of code)—installment method*

This amendment deletes an obsolete internal effective date reference (December 31, 1953), which is no longer needed. The amendment also prospectively removes from the Code, but retains in the public laws, that portion of section 453(b)(2) which applies to the treatment of certain installment payments resulting from sales during a taxable year beginning before January 1, 1954, as it affects only a few taxpayers whose class is closed. They will continue to report in the same manner as they have in prior years.

*Sec. 186 (amends sec. 461 of code)—taxable year of deduction for accrual of real property taxes*

This amendment deletes the obsolete transitional rule relating to deduction by an accrual basis taxpayer of real property taxes deductible under the Internal Revenue Code of 1939 or deductible for the taxpayer's first taxable year which began after December 31, 1953.

*Sec. 187 (amends sec. 472 of code)—LIFO inventories*

This amendment strikes out a cross reference to section 1321, which is repealed by sec. 353 of the bill.

### Subchapter F. Exempt organizations

*Sec. 190 (amends sec. 503 of code)—prohibited transactions*

This amendment removes two words erroneously added to this provision by section 121(b)(6)(B)(ii) of the Tax Reform Act of 1969.

*Sec. 191 (amends sec. 508 of code)—special rules for certain exempt organizations*

Subsection (a) eliminates the definition of educational organizations in this provision and substitutes a reference to section 170(b)(1)(A)(ii) which contains the identical definition.

Subsection (b) deletes a special rule for private foundations organized before January 1, 1970, which applies to years beginning before January 1, 1972.

*Sec. 192 (amends sec. 512 of code)—unrelated business taxable income*

Subsections (a) and (b) remove from the code, but retain in the public laws limited exemptions from the unrelated business income provisions.

Subsection (c) changes a cross reference from section 151(e)(4) to section 170(b)(1)(A)(ii) to consolidate in one section the definition of "educational organization."

*Sec. 193 (amends sec. 514 of code)—unrelated debt-financed income*

Subsections (a) and (c) strike out the lengthy definitions of business lease and business lease indebtedness. Appropriate reference is made to the prior law for the few instances when the definitions might be used in the future under the Clay Brown provisions.

Subsection (b) deletes a transition rule in certain cases for years beginning before 1972.

### Subchapter G. Corporations used to avoid income tax on shareholders

*Sec. 195 (amends sec. 534 of code)—burden of proof*

This amendment deletes the obsolete transitional rules providing for the retroactive application of the 1954 Code burden of proof requirement to 1939 Code year proceedings involving the accumulated earnings tax.

*Sec. 196 (amends sec. 535 of code)—accumulated taxable income*

Subsection (a) strikes out references to repealed 1939 Code excess profits taxes.

Subsection (b) amends section 535 to reflect the definition of "net capital gain."

Subsection (c) strikes out paragraphs referring to section 601 which is repealed by sec. 215, to section 1111 which is repealed by sec. 310, and section 301(f), which is repealed by sec. 160(b) of the bill.

*Sec. 197 (amends sec. 537 of code)—reasonable needs of the business*

Subsection (a) strikes out an internal effective date (May 26, 1969), which is no longer needed.

Subsection (b) conforms a cross reference to the amendment made by subsection (a).

*Sec. 198 (amends sec. 542 of code)—definition of personal holding company*

Subsection (a) strikes out a provision that prevents certain exempt organizations from being treated as individuals for purposes of the personal holding company definition. The provision applies only if the organization owned all of the corporation's common stock and 80 percent of its other stock at all times since July 1, 1950. It is likely that these corporations have been liquidated since 1955, when this provision was enacted, because income from investments would be taxable if held in such a corporation but it would be tax-free if held by the exempt organization directly.

Subsection (b) amends a provision limiting the ability of a consolidated group to compute its personal holding company tax on a consolidated basis. The amendment strikes out an exception for groups of railroad corporations that would be eligible to file a consolidated return under the provisions of the 1939 Code before its amendment in 1942. It is likely that this exception is no longer needed, since it would apply only to a group of railroad corporations that files consolidated returns and meets the five or fewer shareholder test.

Subsection (c) strikes out references to conform to the amendment of section 7701(a)(19) by the Tax Reform Act of 1969.

Subsection (d) adds a U.S. Code citation to conform with current practice.

*Sec. 199 (amends sec. 543 of code)—personal holding company income*

This amendment conforms section 543 to the repeal of section 1111 by sec. 310 of the bill.

*Sec. 200 (amends sec. 545 of code)—undistributed personal holding company income*

Subsection (a) strikes out a reference to repealed 1939 Code excess profits taxes.

Subsection (b) strikes out a provision permitting a personal holding company that deducted taxes on the cash basis during 1939 Code years to continue to do so until it makes an irrevocable election to use the accrual basis. It seems unlikely that a significant number of companies have not elected to accelerate their deductions by using the accrual basis. Subsection (b) also strikes out a provision allowing the deduction of amounts used or set aside to retire indebtedness incurred before 1934. It seems likely that virtually all of this indebtedness has now been retired.

Subsection (b) also repeals a provision permitting the deduction, in computing the personal holding company tax, of liens in favor of the United States as unimportant and rarely used. However, existing provisions providing for recapture of these deductions will continue to apply to deductions taken under the repealed provision.

Subsection (b) also strikes out provisions relating to section 601, which is repealed by sec. 215, section 1111, which is repealed by sec. 310, and section 301(f), which is repealed by sec. 160(b) of the bill, and it amends section 345(b)(5) to reflect the definition of "net capital gain."

Subsection (c) strikes out "the date of enactment of this subsection" in section 545(c) (2) (A) and substitutes the exact date (February 26, 1964).

*Sec. 201 (amends sec. 547 of code)—deduction for deficiency dividends*

This amendment deletes a 1954 Code effective date provision that is no longer needed.

*Sec. 202 (amends sec. 551 of code)—foreign personal holding companies*

This amendment conforms to repeals of sections 35, 242, and 342 by secs. 105, 145, and 168 of the bill, respectively.

*Sec. 203 (amends sec. 553 of code)—foreign personal holding company income*

This amendment deletes the sentence relating to foreign personal holding company income and the treatment of dividends received in Dupont antitrust proceedings to conform to the repeal of section 1111 by sec. 310 of the bill.

*Sec. 204 (amends sec. 556 of code)—undistributed foreign personal holding company income*

Subsection (a) deletes a limitation on the deduction of excess profits taxes with respect to taxes imposed during World War II.

Subsection (b) strikes out provisions relating to the treatment of dividends received in Dupont antitrust proceedings to conform to the repeal of sections 301(f) and 1111 by secs. 160(b) and 310 of the bill.

*Sec. 205 (amends sec. 564 of code)—dividend carryovers*

This amendment strikes out a provision relating to dividend carryovers from pre-1954 years.

**Subchapter H. Banking institutions**

*Sec. 210 (amends sec. 582 of code)—transitional rule for bonds, etc., losses and gains of banks*

This is a clerical amendment to make use of the term "long-term capital gain."

*Sec. 211 (repeals sec. 583 of code)—deductions of dividends paid on certain preferred stock*

This amendment strikes out provisions relating to deductions of dividends paid on certain preferred stock by banks or trust companies. It appears that none of this stock is now outstanding, and that these provisions are no longer needed.

*Sec. 212 (amends sec. 584 of code)—common trust funds*

This amendment deletes the references to section 35 (repealed by sec. 105) and section 242 (repealed by sec. 145) relating to partially tax-exempt interest.

*Sec. 213 (repeals sec. 592 of code)—deduction by mutual savings banks for repayment of certain loans*

This section repeals the provision allowing certain mutual savings banks to deduct certain repayments of pre-September 1, 1951, loans since all the loans described in the section have been repaid and therefore the provision is no longer applicable.

*Sec. 214 (amends sec. 593 of code)—reserves for losses on loans for mutual savings banks, etc.*

Subsection (a) strikes out the applicable percentages to be used by mutual savings banks in computing the addition to reserves for bad debts under the percentage of taxable income method for years 1969, 1970, and 1971.

Subsection (b) deletes the obsolete portions of paragraphs (2) through (5) of section 593(c), which deal with the required allocation of the bad debt reserves of mutual savings banks on December 31, 1962.

Subsection (c) strikes out a transitional rule for a taxable year beginning in 1962 and ending in 1963 dealing with the treatment of bad debt reserves of mutual savings banks.

*Sec. 215 (repeals sec. 601 of code)—special deduction for bank affiliates*

This section repeals a special deduction allowed bank affiliates in computing the accumulated earnings tax and the personal holding company tax. The deduction is for the amount of earnings and profits required to be invested in a reserve of readily marketable assets under the Banking Act of 1933. This requirement was eliminated in 1966, and there is now no requirement that such a reserve be maintained.

#### **Subchapter I. Natural resources**

*Sec. 220 (amends sec. 613 of code)—percentage depletion*

Subsection (a) is a clerical amendment to make use of the term "ordinary income."

Subsection (b) strikes out provisions relating to percentage depletion for certain taxable years ending in 1954.

*Sec. 221 (amends sec. 614 of code)—definition of property*

These amendments strike out the complex provisions for recapture of taxes saved by delaying an election to aggregate mineral properties from the date of first exploration to the date of the development of the mine. These provisions were added in 1958 and it is understood that they have never been invoked by a revenue agent.

*Sec. 222 (repeals sec. 615 and amends sec. 703 of code)—pre-1970 exploration expenditures*

Subsection (a) repeals section 615, since it applies only to mine exploration expenditures made before 1970.

Subsection (b) strikes out a reference to section 615 in section 703(b).

*Sec. 223 (amends sec. 617 of code)—deduction and recapture of exploration expenditures*

Subsection (a) is a clerical amendment to make use of the term "ordinary income".

Subsection (b) conforms section 617(h) to the repeal of section 615 by sec. 222 of the bill.

*Sec. 224 (repeals sec. 632 of code)—sale of oil and gas properties*

This section repeals the provision that limits the tax on the sale of an oil or gas property discovered by an individual to 33 percent of the selling price. It is believed that at least as far as the past is concerned

this falls within the category of unimportant and rarely used provisions. However, when the maximum tax on capital gains reaches 35 percent its repeal could increase the seller's tax by 2 percentage points. In addition, this amendment would increase the tax when the oil property has been held for 6 months or less.

#### **Subchapter J. Estates, trusts, beneficiaries, and decedents**

*Sec. 230 (amends sec. 642 of code)—credits allowed to estates and trusts*

This amendment conforms section 642 to repeals of sections 35 and 168 by secs. 105 and 140 of the bill.

*Sec. 231 (repeals sec. 683 of code)—application of part I of estate and trust provisions*

This section repeals the obsolete effective date provision of part I of subchapter J (relating to income of estates, trusts, and beneficiaries).

*Sec. 232 (amends sec. 691 of code)—income in respect of a decedent*

Subsection (a) deletes a cross reference to section 683, which is repealed by sec. 231 of the bill.

Subsection (b) repeals the provision allowing a taxpayer to receive installment payments on obligations transferred from a decedent in taxable years to which the 1939 Code applied without the necessity of maintaining a bond with the IRS to guarantee the reporting of the income. It is believed that either none of these obligations are still outstanding or, if any are, the taxpayer has already made the election not to maintain a bond. The amendment also preserves the rights of taxpayers who elect under the provision for taxable years beginning before January 1, 1972.

*Sec. 233 (amends sec. 692 of code)—members of Armed Forces who die during induction period*

This amendment changes "on" to "of" in the heading of the provision relating to income taxes of members of Armed Forces who die in a combat zone.

#### **Subchapter K. Partners and partnerships**

*Sec. 240 (amends sec. 751 of code)—unrealized receivables*

This amendment corrects a grammatical error by removing "or" in the middle of a series of section references.

*Sec. 241 (repeals sec. 771 of code)—effective date of subchapter K*

This section repeals the obsolete effective date provision (generally, December 31, 1954) of subchapter K (relating to partners and partnerships).

#### **Subchapter L. Insurance companies**

*Sec. 245 (amends sec. 802 of code)—tax imposed on life insurance companies*

Subsection (a) deletes the obsolete effective date (taxable years beginning after December 31, 1957) relating to the imposition of tax on a life insurance company.

Subsection (b) deletes the obsolete effective date (taxable years beginning after December 31, 1961) of the alternative tax in the case of capital gains of a life insurance company and make use of the new definition of "net capital gain".

Subsection (c) deletes an obsolete special rule for computing the taxable income of a life insurance company for a taxable year beginning in 1959 or 1960.

*Sec. 246 (amends sec. 804 of code)—taxable investment income*

Subsections (a), (b), and (d) delete references to partially tax-exempt interest to conform section 804 to the repeal of sections 35 and 242 by secs. 105 and 145 of the bill.

Subsection (c) makes a clerical amendment to make use of the new definition of "net capital gain".

Subsection (d) strikes out a special rule which, in effect, provides for any adjustments necessary to prevent a life insurance company from being taxed on tax-exempt interest or dividends qualifying for a dividends received deduction. This special rule is surplusage because the basic life insurance company tax provisions have been held to prevent the imposition of tax on these items.

Subsection (e) strikes out an internal effective date reference (taxable years beginning after December 31, 1958), which is no longer needed.

*Sec. 247 (amends sec. 805 of code)—policy and other contract liability requirements*

Subsection (a) strikes out an obsolete provision pertaining to the earnings rate of life insurance companies for taxable years beginning before January 1, 1958.

Subsection (b) strikes out a parenthetical clause which provides that the adjusted basis of certain assets which a life insurance company must take into account in computing its taxable income is determined without regard to the fair market value of the assets on December 31, 1958. This clause was surplusage when enacted and continues to be surplusage since the adjusted basis of these assets is not affected by their fair market value on December 31, 1958.

Subsection (c) strikes out transition rules relating to taxable years beginning after 1957 and before 1961.

*Sec. 248 (amends sec. 809 of code)—gain and loss from operations*

Subsections (a) and (b) conform section 809 to the repeal of sections 35 and 242 by secs. 105 and 145 of the bill. Subsection (b) also strikes out a special rule which in effect provides for any adjustments necessary to prevent a life insurance company from being taxed on tax-exempt interest or dividends qualifying for a dividends received deduction. This special rule is surplusage because the basic life insurance company tax provisions have been held to prevent the imposition of tax on these items.

Subsection (c) is a clerical amendment to make use of the new definition of "net capital gain".

Subsections (d) and (f) conform section 809 to the repeal of section 242 by sec. 145 of the bill.

Subsections (e) and (g) strike out material permitting deductions under certain circumstances for distributions made in the period 1958 through 1962.

*Sec. 249 (amends secs. 812 and 844 of code)—years to which operating losses of an insurance company may be carried*

Subsection (a) strikes out special transitional rules for years before 1958 to which operating losses of an insurance company may be carried.

Subsection (b) conforms section 844 to the change made by subsection (a).

*Sec. 250 (amends sec. 815 of code)—distributions to shareholders*

Subsection (a) is a clerical amendment to make use of the new definition of "net capital gain".

Subsection (b) deletes references to partially tax-exempt interest to conform section 815 to the repeal of section 242 by sec. 145 of the bill.

Subsection (c) is a clerical amendment made necessary by the repeal of section 802(a)(3) by section 245(e) of the bill.

*Sec. 251 (amends sec. 817 of code)—certain gains and losses*

This section deletes obsolete provisions relating to capital losses of life insurance companies incurred in years beginning before 1959 and reinsurance transactions of life insurance companies occurring in 1958.

It also deletes a provision relating to the treatment under the life insurance company tax provisions of gains arising on sales or other dispositions of capital assets (and property which would be section 1231 assets) prior to 1959. It is unlikely that this provision has any current applicability since taxpayers are not likely to be currently receiving gains from pre-1959 sales, except in the limited area of installment sales. For this reason, the provision is removed from the code but retained in the Public Laws.

*Sec. 252 (amends sec. 818 of code)—accounting provisions*

This section deletes transitional rules applicable to changes in a life insurance company's method of accounting from its taxable year 1957 to its taxable year 1958.

*Sec. 253 (amends sec. 819 of code)—foreign life insurance companies*

Subsection (a) strikes out the transitional rules applicable to taxable years beginning before January 1, 1959 that are no longer necessary.

Subsection (b) conforms the second sentence of section 819(a)(2)(A) to the above change made in the first sentence. Subsection (c) conforms subsection (b)(2)(B) to the same change made in the first sentence in the provision relating to foreign life insurance companies.

*Sec. 254 (amends sec. 820 of code)—optional treatment of certain reinsured policies*

Subsection (a) deletes an obsolete provision relating to a life insurance company's treatment of a reimbursement for 1957 Federal income tax.

Subsection (b) makes a conforming change in section 820(c).

*Sec. 255 (amends sec. 821 of code)—certain mutual insurance companies*

Subsection (a) deletes an internal effective date (beginning after December 31, 1963) that is no longer necessary.

Subsection (b) deletes an internal effective date (taxable years beginning after December 31, 1963) that is no longer necessary.

Subsection (c) strikes out a transitional rule applying from 1963 to 1967.

*Sec. 256 (amends sec. 822 of code)—taxable investment income*

Subsections (a), (c), and (d) strike out references to partially tax-exempt interest to conform section 822 to the repeal of section 242 by sec. 145 of the bill.

Subsection (b) strikes out the obsolete reference to obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer.

Subsection (e) makes clerical changes relating to the above changes and strikes an obsolete effective date (December 31, 1962), which is no longer needed.

*Sec. 257 (amends sec. 825 of code)—unused loss deduction*

This amendment strikes out a transitional rule (taxable years beginning before January 1, 1963), which is no longer needed.

*Sec. 258 (amends sec. 831 of code)—tax on certain insurance companies*

This amendment makes a clerical change in subsection (a) (changes the word "or" to "on").

*Sec. 259 (amends sec. 832 of code)—insurance company taxable income*

Subsection (a) conforms the name of the National Association of Insurance Commissioners by substituting "Association" for "Convention" in the provision.

Subsections (b) and (c) strike out references to partially tax-exempt interest to conform section 832 to the repeal of section 242 by sec. 145 of the bill.

**Subchapter M. Regulated investment companies and real estate investment trusts**

*Sec. 265 (amends sec. 851 of code)—definition of regulated investment companies*

Subsection (a) makes a clerical change striking out a reference to the statutes at large to conform to other citations in the Code.

Subsection (b) strikes out an obsolete date (December 31, 1941) in subsection (b)(1) relating to regulated investment companies.

*Sec. 266 (amends sec. 852 of code)—taxation of regulated investment companies*

Subsection (a) strikes out a reference to partially tax-exempt interest to conform section 852 to the repeal of section 242 by sec. 145 of the bill.

Subsections (b), (c), (e), and (f) are clerical amendments to make use of the new definition of "net capital gain".

Subsection (d) is a clerical amendment to make use of the term "long-term capital gain".

Subsection (g) is a clerical amendment to make use of the term "long-term capital loss".

Subsection (h) is a clerical amendment required by the new definition of "net capital gain" and also adds a U.S. Code citation.

*Sec. 267 (amends sec. 856 of code)—definition of real estate investment trust*

Subsection (a) strikes out an internal effective date (December 31, 1960), which is no longer needed.

Subsection (b) adds a U.S. Code citation to the Investment Company Act of 1940.

*Sec. 268 (amends sec. 857 of code)—taxation of real estate investment trusts*

Subsection (a) strikes out a reference to partially tax-exempt interest to conform section 857 to the repeal of section 242 by sec. 145 of the bill.

Subsections (b), (c), (d), and (e) are clerical amendments to make use of the new definition of "net capital gain".

**Subchapter N. Tax based on income from sources within or without the United States**

*Sec. 275 (amends secs. 861 and 862 of code)—sources of income*

These amendments change "sale" to "sale or exchange" to eliminate the need for a definition of "sale" in section 864.

*Sec. 276 (amends sec. 863 of code)—sources of income*

These amendments change "sale" to "sale or exchange" and "sold" to "sold or exchanged" to eliminate the need for a definition of "sale" and "sold" in section 864.

*Sec. 277 (amends sec. 864 of code)—definitions*

These amendments eliminate the definition of "sale" and "sold" and change "sale" to "sale or exchange" and "sold" to "sold or exchanged."

*Sec. 278 (amends sec. 901 of code)—foreign tax credit*

These amendments strike out references to provisions relating to war loss recoveries, which are repealed by sec. 354 of the bill, and China Trade Act corporations, which are repealed by sec. 285. The amendments also conform a cross reference to the change made in section 642 (a) by sec. 230 of the bill.

*Sec. 279 (amends sec. 904 of code)—limitation on foreign tax credit*

This amendment strikes out several effective dates and transitional provisions that are no longer needed.

*Sec. 280 (amends sec. 905 of code)—proof of foreign tax credits*

This section deletes a special foreign tax credit rule relating to the treatment of taxes imposed by the United Kingdom with respect to scientific and industrial royalties. The treatment of these taxes is dealt with in the United States—United Kingdom income tax convention and accordingly the special code provision is no longer necessary.

*Sec. 281 (amends sec. 911 of code)—earned income exclusion*

This section strikes out transitional rules for taxable years ending in 1963, 1964, or 1965.

*Sec. 282 (amends sec. 921 of code)—Western Hemisphere trade corporations*

This amendment strikes out the sentence relating to taxable years before 1954.

*Sec. 283 (amends sec. 931 of code)—income from possessions*

This amendment strikes out a provision which states that amounts received within the United States cannot be excluded from income under section 931. The amendment also strikes out obsolete provisions relating to citizens who were captured by the Japanese in the Philippine Islands.

*Sec. 284 (amends sec. 934 of code)—tax liability incurred to Virgin Islands*

This amendment strikes out a provision which states that amounts received within the United States cannot be excluded from income under section 934.

*Sec. 285 (repeals secs. 941, 942, and 943 of code)—China Trade Act corporations*

This section repeals the special provisions for China Trade Act corporations. These provisions now apply only to Formosa and Hong Kong, and it is understood that there are only 4 active China Trade Act corporations still carrying on business. The bill, by permitting these China Trade Act corporations to reorganize as foreign corporations without obtaining section 367 rulings, maintains essentially the same treatment for these corporations as at present.

*Sec. 286 (amends sec. 951 of Code)—subpart F income*

This amendment strikes out an internal effective date reference ("beginning after December 31, 1962"), which is no longer needed.

*Sec. 287 (amends sec. 963 of code)—minimum distributions*

This amendment strikes out provisions applicable to pre-1971 taxable years, which are no longer needed.

*Sec. 288 (repeals sec. 972 and amends sec. 970 of code)—consolidation of group of export trade corporations*

This section repeals the provision which allows the consolidation of export trade corporations for purposes of the exception from subpart F treatment (relating to certain income of controlled foreign corporations) which is provided for certain export related income of these corporations. It is understood that this provision has been little used in the past and is not currently being used. A conforming change is made in section 970(b)(1)(B).

*Sec. 289 (amends sec. 981 of code)—foreign community property laws*

Subsection (a) strikes an internal effective date ("beginning after December 31, 1966"), which is no longer needed.

Subsection (b) strikes out subsection (c) relating to an obsolete election for pre-1967 years.

Subsections (c), (d), and (e) make changes to conform to the change made in (b) above.

**Subchapter O. Gain or loss on disposition of property***Sec. 295 (amends sec. 1001 of code)—recognition of gain or loss*

This amendment incorporates into section 1001 the basic rules now of section 1002. See sec. 296 of the bill.

*Sec. 296 (repeals sec. 1002 of code)—recognition of gain or loss*

This section is repealed because the applicable rules are set forth in section 1001.

*Sec. 297 (amends sec. 1015 of code)—increased basis for gift tax paid*

These amendments substitute "September 2, 1958" for the references to "the date of the enactment of the Technical Amendments Act of 1958" as the effective date of section 1015(d).

*Sec. 298 (amends sec. 1016 of code)—adjustments to basis*

Subsection (a) is a clerical amendment required by the repeal of section 1020 by sec. 300 of the bill.

Subsection (b) is a clerical amendment required by the repeal of section 615 by sec. 222 of the bill.

Subsection (c) strikes out paragraphs (19) and (21) of section 1016(a). Paragraph (19) is an obsolete provision dealing with section 38 property, and paragraph (21) becomes an obsolete provision with the repeal of section 1022 by sec. 302 of the bill.

*Sec. 299 (amends sec. 1017 of code)—discharge of indebtedness*

This section makes a clerical change to conform to the amendment made by sec. 123 of the bill.

*Sec. 300 (repeals sec. 1020 of code)—depreciation allowed before 1952*

This section repeals the obsolete provision relating to an election in respect of depreciation allowed before 1952.

*Sec. 301 (repeals sec. 1021 of code)—basis of annuity contract*

Section 1021 provides that the adjusted basis of an annuity contract shall in no case be less than zero. This is repealed because the rule of no negative basis is implicit in many provisions of the code so there seems to be no reason to make it explicit in this one case.

*Sec. 302 (repeals sec. 1022 of code)—basis of certain foreign personal holding company stock*

Section 1022 is repealed as an unimportant and rarely used provision. This provision was added for one case (where it was not used). It is doubtful whether anyone has used or is likely to use this provision.

*Sec. 303 (amends sec. 1023 of code)—cross references*

This section strikes out the obsolete reference to the Defense Production Act of 1959.

*Sec. 304 (amends sec. 1033 of code)—involuntary conversions*

Subsection (a) strikes out a provision applicable to conversion into money where a disposition occurred prior to 1951.

Subsections (b) and (e) conform section 1033 to the change made by subsection (a).

Subsection (c) makes a clerical change to include as a new subparagraph a definition of "control" which is presently contained in the provision but would be repealed by subsection (a).

Subsection (d) strikes out the obsolete reference to certain conversions occurring after 1950 but before 1954.

Subsection (f) strikes out the obsolete reference to conversion before January 1, 1958, in section 1033(g).

*Sec. 305 (amends sec. 1034 of code)—gain on sale of residence*

Subsections (a) and (b) strike out obsolete 1954 Code internal effective dates, which are no longer needed.

Subsection (c) strikes out the obsolete reference to the Internal Revenue Code of 1939 in section 1034(d).

Subsection (d) strikes out the obsolete transitional rules in subsection (i).

Subsection (e) strikes out an internal effective date (December 31, 1950), which is no longer needed.

*Sec. 306 (amends sec. 1037 of code)—certain exchanges of United States obligations*

This amendment changes a cross reference to section 1232(a)(2) to reflect its amendment by the Tax Reform Act of 1969.

*Sec. 307 (amends sec. 1051 of code)—property acquired during affiliation*

This amendment strikes out the sentences in section 1051 that provide that the basis of property acquired or held during a consolidated return year is to be determined under the consolidated return regulations. This provision is unnecessary because adequate authority for providing basis rules in the consolidated return regulations is provided under section 1502 and its predecessors.

*Sec. 308 (amends sec. 1081 of code)—distributions required by SEC*

Subsection (a) strikes out the special rule for distributions of stock or securities before January 1, 1958.

Subsections (b) and (c) make changes to conform to the changes made in subsection (a). Subsection (b) also strikes out a reference to the Statutes at Large to conform to other citations in the code.

*Sec. 309 (repeals secs. 1101, 1102, and 1103 of code)—Bank Holding Company Act distributions*

This section strikes out the provisions under which certain distributions that are necessary or appropriate because of the Bank Holding Company Act of 1956 (as amended in 1966) are made tax-free. However, the rights of taxpayers under the present statute are specifically preserved.

*Sec. 310 (repeals sec. 1111 and amends sec. 561 of code)—distributions pursuant to orders enforcing the antitrust laws*

This section strikes out the special provision dealing only with the distribution of General Motors stock by duPont pursuant to the anti-trust decree. This distribution is now complete and the rights of persons who received such distributions are preserved. A conforming change is made in section 561(b).

**Subchapter P. Capital gains and losses***Sec. 320 (amends sec. 1201 of code)—alternative tax on capital gains*

Subsection (a) contains clerical amendments to make use of the new definition of "net capital gain".

Subsections (b) and (c) delete transitional rules applicable to taxable years beginning in 1970 and 1971.

*Sec. 321 (amends sec. 1202 of code)—deductions for capital gains*

This is a clerical amendment to make use of the new definition of "net capital gain".

*Sec. 322 (amends sec. 1212 of code)—capital loss carrybacks and carryovers*

These are clerical amendments resulting from the new definition of "net capital gain".

*Sec. 323 (amends sec. 1222 of code)—definitions*

Subsection (a) defines the new term "capital gain net income". The definition is the same as the old "net capital gain".

Subsection (b) gives the new definition of "net capital gain". It is the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for such year. This makes it possible to use these terms throughout the code instead of the other longer phrases.

*Sec. 325 (amends sec. 1231 of code)—property used in a trade or business*

Subsection (a) is a clerical amendment to make use of the new terms "ordinary income" and "ordinary deductions".

Subsection (b) is a clerical amendment to make use of the new term "ordinary income."

*Sec. 326 (amends sec. 1232 of code)—gain on certain bonds*

Subsection (a) is a clerical amendment to make use of the term "long-term capital gain."

Subsections (b) and (c) are clerical amendments to make use of the new term "ordinary income".

Subsection (c) is a clerical amendment to reflect the repeal of section 373 by sec. 171 of the bill.

*Sec. 327 (amends sec. 1233 of code)—short sales*

Subsection (a) is a clerical amendment to make use of the term "short-term capital gain".

Subsection (b) substitutes "August 16, 1954" for "the date of enactment of this title" as the effective date of this provision.

Subsection (c) is a clerical amendment to make use of the term "long-term capital loss".

*Sec. 328 (amends sec. 1234 of code)—options to buy or sell*

Subsection (a) is a clerical amendment to make use of the term "short-term capital gain".

Subsection (b) is a clerical amendment to make use of the new term "ordinary income".

*Sec. 329 (amends sec. 1237 of code)—subdivided real property*

This amendment strikes out a 1954 code effective date provision, which is no longer needed.

*Sec. 330 (amends sec. 1238 of code)—amortization in excess of depreciation*

This amendment is a clerical amendment to reflect the repeal of section 168 by sec. 140 of the bill.

*Sec. 331 (amends sec. 1239 of code)—gain from sale of property between certain persons*

Subsection (a) is a clerical amendment to make use of the new term "ordinary income".

Subsection (b) strikes out an obsolete effective date (May 3, 1951), which is no longer needed.

*Sec. 332 (repeal of sec. 1240 of code)—termination payments (Louis B. Mayer provision)*

This amendment repeals the so-called Louis B. Mayer provision. This provision permits capital gain treatment of a lump sum settlement of rights in an employment contract. Since the provision contains narrow restrictions, including the requirement that the rights be created before August 16, 1954, it is unlikely that it has much, if any, applicability today.

*Sec. 333 (amends sec. 1242 of code)—losses on small business investment company stock*

This is a clerical amendment to make use of the new term "ordinary deduction".

*Sec. 334 (amends sec. 1244 of code)—losses on small business stock*

Subsection (a) makes clerical amendments to make use of the new term "ordinary deduction."

Subsection (b) makes a clerical amendment to reflect the repeal of section 242 by sec. 145 of the bill.

*Sec. 335 (amends sec. 1245 of code)—recapture of depreciation on personal property*

Subsection (a) is a clerical amendment to make use of the new term "ordinary income".

Subsection (b) is a clerical amendment necessitated by the repeal of section 168 by sec. 140 of the bill.

*Sec. 336 (amends sec. 1246 of code)—gain on foreign investment company stock*

Subsection (a) is a clerical amendment which makes use of the new term "ordinary income".

Subsection (b) strikes out an effective date (December 31, 1962), which is no longer needed.

*Sec. 337 (amends sec. 1247 of code)—election by foreign investment company*

Subsections (a) and (b) are clerical amendments to make use of the new definition of "net capital gain".

Subsection (c) is a clerical amendment to make use of the term "long-term capital loss".

*Sec. 338 (amends sec. 1250 of code)—recapture of depreciation on real property*

Subsections (a) and (c) are clerical amendments to make use of the term "ordinary income".

Subsection (b) is a clerical amendment necessitated by the repeal of section 168 by sec. 140 of the bill.

*Sec. 339 (amends sec. 1251 of code)—farm excess deductions account*

These amendments are clerical amendments to make use of the new term "ordinary income".

**Subchapter Q. Readjustment of tax between years and special limitations**

*Sec. 350 (amends sec. 1303 of code)—individuals eligible for averaging*

This amendment changes a cross reference from section 151(e)(4) to section 170(b)(1)(A)(ii) to reflect the consolidation in one section of the definition of "educational organization."

*Sec. 351 (amends sec. 1311 of code)—mitigation of effect of limitations*

These amendments conform section 1311 to the new name of the Tax Court.

*Sec. 352 (repeals sec. 1315 of code)—effective date*

This amendment repeals the obsolete effective date provisions of part II of subchapter Q of chapter 1.

*Sec. 353 (repeals sec. 1321 of code)—liquidations of LIFO inventories*

This section repeals a tax relief provision for involuntary liquidations of LIFO inventories. The provision applies only to inventories liquidated in taxable years ending after June 30, 1950, and before January 1, 1955, and only if the inventory was replaced in a taxable year ending before January 1, 1956.

*Sec. 354 (repeals secs. 1331 to 1337 of code)—war loss recoveries*

This section repeals the provisions dealing with World War II war loss recoveries in taxable years beginning after the date of the enactment of the bill. The basis of property recovered during prior taxable years will not be affected by the repeal. Future recoveries, which appear unlikely, would be covered by other provisions of the law, which accord similar but not identical treatment.

*Sec. 355 (amends sec. 1341 of code)—claim of right*

This amendment strikes out provisions relating to certain retroactive payments by a subcontractor to a prime contractor, or by a subcontractor to a higher tier subcontractor. These provisions are expressly limited to payments made under a subcontract entered into before January 1, 1958, and it appears unlikely that any such contracts are still outstanding.

*Sec. 356 (repeals sec. 1342 of code)—computation of tax on certain amounts recovered as a result of a patent infringement suit*

This section repeals provisions relating to the computation of tax on certain amounts recovered as a result of a patent infringement suit. It is believed that these provisions are rarely used.

*Sec. 357 (repeals secs. 1346 and 1347 of code)—recovery of unconstitutional Federal taxes, and certain claims filed against the United States*

This section removes from the code provisions relating to recovery of unconstitutional Federal taxes (section 1346) and to certain claims filed against the United States before January 1, 1958 (section 1347).

It is believed that section 1346 has served its purpose, and that claims of the type contemplated in section 1347 are no longer outstanding. However, the rights of persons who may have claims of the type contemplated in section 1347 are preserved.

*Sec. 358 (amends sec. 1348 of code)—50-percent maximum rate on earned income*

Subsection (a) makes more readable certain paragraphs relating to the 50-percent maximum rate on earned income.

Subsection (b) strikes out a transitional rule applicable to taxable years beginning in 1971.

#### **Subchapter S. Election of certain small business corporations as to taxable status**

*Sec. 365 (amends sec. 1372 of code)—election by subchapter S corporation*

Subsection (a) conforms to the minimum tax provisions added by the Tax Reform Act of 1969.

Subsection (b) strikes out a transitional rule for the election by a subchapter S corporation applicable to certain taxable years beginning in 1958.

Subsection (c) strikes out the provision providing for the consent to election in certain cases for years before 1961.

*Sec. 366 (amends sec. 1374 of code)—net operating losses of subchapter S corporations*

This section repeals paragraph (2) of section 1374(d) (relating to carryback to years before 1958 of net operating losses of subchapter S corporations) and transfers the provisions of paragraph (1) to section 1374(b).

*Sec. 367 (amends sec. 1375 of code)—capital gains of subchapter S corporations*

Subsections (a), (b), and (c) are clerical amendments to make use of the new definition of "net capital gain".

Subsection (d) merely gives a new heading to a subsection (since individuals no longer receive a dividends received credit).

Subsection (e) deletes a provision relating to section 1375 (e), which was repealed by Public Law 89-389.

*Sec. 368 (amends sec. 1378 of code)—tax imposed on certain capital gains of subchapter S corporations*

These are clerical amendments to make use of the new definition of "net capital gain".

#### **Subchapter T. Cooperatives**

*Sec. 369 (amends section 1388 of code)—patronage dividends*

Subsection (a) strikes out "the date of the enactment of the Revenue Act of 1962" and substitutes the exact date, "October 16, 1962."

Subsection (b) strikes out "the date of the enactment of this subsection" and substitutes the exact date, "November 13, 1966."

**Chapter 2. Tax on self-employment income**

*Sec. 375 (amends sec. 1401 of code)—tax on self-employment income*

Subsection (a) strikes out the provisions imposing the tax on self-employment income for years before 1971.

Subsection (b) strikes out the internal effective date (December 31, 1967) for the rate of tax on self-employment income for hospital insurance.

*Sec. 376 (amends sec. 1402 of code)—definitions applicable to the tax on self-employment income*

Subsection (a) strikes out the reference to section 35, which is repealed by sec. 105 of the bill.

Subsection (b) strikes out the references to net earnings from self-employment on which the tax is imposed for years prior to 1972.

Subsection (c) strikes out a provision relating to treatment of self-employment income for taxable years ending before 1962.

Subsection (d) strikes out a transitional rule for certain pre-1969 taxable years and an internal effective date reference (to taxable years ending on or after December 31, 1967), which are no longer needed.

**Chapter 3. Withholding of tax on nonresident aliens and foreign corporations and tax-free covenant bonds**

*Sec. 377 (repeals sec. 1465 of code)—definition of withholding agent*

This section repeals section 1465, since "withholding agent" is defined in section 7701(a)(16).

**Chapter 4. Rules applicable to recovery of excessive profits on government contracts**

*Sec. 378 (repeals sec. 1471 of code)—recovery of excessive profits on contracts subject to the Vinson-Trammell Act*

This section removes from the Code provisions relating to a few possible situations not covered by the Renegotiation Act. Since these provisions are not directly related to taxation they are removed from the code but retained in the Public Laws.

*Sec. 379 (amends sec. 1481 of code)—mitigation of effect of renegotiation of government contracts*

Subsections (a), (b), and (c) make several minor language changes designed to update section 1481.

Subsection (d) removes from the code but retains in the public laws a provision relating to renegotiation of government contracts affecting taxable years prior to 1954.

**Chapter 6. Consolidated returns**

*Sec. 380 (amends sec. 1504 of code)—consolidated return definitions*

Subsection (a) deletes from the definition of "affiliated group" the requirement that the common parent own 80 percent of the stock of at least one corporation directly. This requirement has no apparent purpose, and it seems unlikely that a significant number of groups fail to qualify because of this requirement. In any case a nonqualifying group could qualify merely by readjusting its corporate structure, or by forming a new directly owned subsidiary with a valid business.

Subparagraph (b) conforms section 1504 to the repeal of the China Trade Act corporation provisions by sec. 285 of the bill.

*Sec. 381 (amends sec. 1551 of code)—disallowance of surtax exemptions, etc.*

This amendment corrects an erroneous cross reference.

*Sec. 382 (amends sec. 1552 of code)—earnings and profits of an affiliated group*

This amendment strikes out a 1953 internal effective date that is no longer needed.

*Sec. 383—clerical amendments*

Subsection (a) strikes out the term "Territory," since there are no longer any Territories, in those sections of the income tax subtitle which are not otherwise amended by this bill.

Subsection (b) strikes out the words "or his delegate", since the definition of "Secretary" is amended by sec. 726 of the bill to include his delegates.

Subsection (c) makes other clerical changes.

*Sec. 384—effective date of amendments made by Title I of the bill*

This section provides that the amendments to the income tax provisions of the Internal Revenue Code made by this bill are to be applicable with respect to taxable years beginning after December 31, 1971.

## TITLE II OF BILL: AMENDMENTS OF SUBTITLE B (ESTATE AND GIFT TAXES)

### Chapter 11. Estate tax

*Sec. 401 (amends sec. 2001 of code)—rate of the estate tax*

This amendment strikes out an internal effective date that is no longer necessary.

*Sec. 402 (amends sec. 2012 of code)—credit for gift tax*

These amendments provide subsection headings for each of the subsections of this provision.

*Sec. 403 (amends sec. 2013 of code)—credit for tax on prior transfers*

These amendments strike out obsolete references to prior laws.

*Sec. 404 (amends sec. 2038 of code)—revocable transfers*

This amendment strikes out a subsection of limited application which is no longer needed.

*Sec. 405 (amends sec. 2039 of code)—annuities*

This amendment is a clerical section amendment to improve the readability of a reference to section 170(b)(1)(A)(ii).

*Sec. 406 (amends sec. 2055 of code)—transfers for charitable uses*

Subsection (a) strikes out a reference to "Territory", since there are no longer any Territories.

Subsection (b) strikes out subsection (b)(2) which has limited application and is no longer needed.

Subsection (c) strikes out several cross references which are no longer applicable and updates the remaining cross references.

*Sec. 407 (amends sec. 2106 of code)—taxable estate*

Subsection (a) strikes out an obsolete reference to "Territory."

Subsection (b) strikes out several cross references which are no longer applicable.

Subsection (c) strikes out a provision that excludes from the taxable estate obligations issued by the United States before March 1, 1941, if held by a decedent who was not engaged in business in the United States at the time of his death. It is believed that no obligations issued by the United States before March 1, 1941, are still outstanding.

*Sec. 408 (amends secs. 2107 and 2108 of code)—estate tax on expatriates and application of pre-1967 estate tax provisions*

These amendments substitute "November 13, 1966" for "the date of enactment of this section" as the effective date of these provisions.

*Sec. 409 (repeals sec. 2202 of code)—missionaries in foreign service*

This section is repealed, since the need for a special provision appears to have been eliminated by the Foreign Investors Tax Act of 1966, which increased the estate tax exemption of nonresidents from \$2,000 to \$30,000.

*Sec. 410 (amends sec. 2204 of code)—discharge of executor from personal liability*

This amendment corrects a typographical error in the Excise, Estate, and Gift Tax Adjustment Act of 1970.

*Sec. 411—effective date of estate tax amendments*

This provision provides that the amendments to the estate tax provisions of the code made by this bill are to be applicable to estates of decedents dying after the date of enactment except that the amendment made by section 410 is to apply to estates of decedents dying after December 31, 1970.

**Chapter 12. Gift tax***Sec. 415 (amends sec. 2501 of code)—imposition of gift tax*

This amendment strikes out an internal effective date that is no longer needed.

*Sec. 416 (amends sec. 2517 of code)—certain annuities under qualified plans*

This amendment is a clerical amendment to improve the readability of a reference to section 170(b)(1)(A)(ii).

*Sec. 417 (amends sec. 2522 of code)—charitable and similar gifts*

Subsection (a) of this amendment strikes out obsolete references to Territory.

Subsection (b) of this amendment strikes out several cross references which are no longer applicable.

*Sec. 418—effective date of gift tax amendments*

This provision provides that the amendments to the gift tax provisions of the code made by this bill are to be applicable with respect to gifts made during the calendar year 1972 and subsequent calendar years.

*Sec. 419—clerical amendments*

Subsection (a) strikes out the term "Territory," since there are no longer any Territories, in those sections of the estate and gift tax subtitle which are not otherwise amended by this bill.

Subsection (b) strikes out the words "or his delegate", since the definition of "Secretary" is amended by sec. 726 of the bill to include his delegates.

Subsection (c) makes a clerical amendment to a table of sections.

**TITLE III OF BILL: AMENDMENTS OF SUBTITLE C  
(EMPLOYMENT TAXES)**

**Chapter 21. Federal insurance contributions act**

*Sec. 431 (amends secs. 3101 and 3111 of code)—rate of tax*

Subsection (a) strikes the pre-1971 employment tax rates on employees and employers since these rates are not applicable for the future.

Subsection (b) strikes the pre-1972 tax rates for the tax on employees and employers for hospital insurance for the same reason.

*Sec. 432 (repeals sec. 3113 of code)—District of Columbia credit unions*

This section repeals a provision relating to credit unions chartered under the act of June 23, 1932. District of Columbia credit unions are now Federal credit unions and, as such, are covered by section 3121 (b) (6) (B) (ii).

*Sec. 433 (amends sec. 3121 of code)—definitions*

Subsection (a) strikes the reference to the Internal Revenue Code of 1939 since it is no longer needed.

Subsection (b) strikes an internal effective date provision which is no longer needed.

Subsection (c) changes a reference to the Secretary of the Treasury to a reference to the Secretary of Transportation.

Subsection (d) strikes out provisions applicable to prior years.

Subsection (e) strikes an internal effective date which is no longer needed.

Subsection (f) strikes an internal effective date which is no longer needed.

*Sec. 434 (amends sec. 3122 of code)—Federal service*

This amendment changes references to the Secretary of the Treasury to a reference to the Secretary of Transportation, since the Coast Guard is now a part of the Department of Transportation.

**Chapter 22. Railroad retirement tax act**

*Sec. 440 (amends sec. 3201 of code)—rate of tax on employees*

This section removes references to prior rates of the employment tax on railroad employees, since they are no longer applicable.

*Sec. 441 (amends sec. 3202 of code)—deduction of tax from compensation*

Subsection (a) strikes internal effective dates (September 30, 1965) and references to the Internal Revenue Code, which are not needed.

Subsection (b) makes a clarifying change in language with respect to indemnification of an employer.

*Sec. 442 (amends sec. 3211 of code)—rate of tax on employee representatives*

This section removes references to prior rates of the employment tax on railroad employee representatives, since they are no longer applicable.

*Sec. 443 (amends sec. 3221 of code)—rate of tax on employers*

Subsection (a) removes references to prior rates of the employment tax on railroad employers, since they are no longer applicable.

Subsection (b) removes internal effective dates with respect to the increases in the employment tax on railroad employers as no longer needed.

Subsection (c) replaces reference to the words "Secretary of the Treasury" with the word "Secretary."

Subsection (d) deletes references to rates applicable before April 1, 1970.

#### **Chapter 23. Federal unemployment tax act**

*Sec. 450 (amends sec. 3302 of code)—credits against tax*

Subsection (a) strikes out a transitional provision relating to limitation on credits against the unemployment tax where a State has not yet repaid an advance under certain prior laws. This provision is no longer applicable, since all the States have repaid the advances made under these laws.

Subsection (b) strikes an internal effective date which is no longer needed, and makes a clerical amendment as a result of the change made in subsection (a).

Subsection (c) makes a clerical amendment by striking a cross reference to a 1958 statute that is no longer applicable.

*Sec. 451 (amends sec. 3305 of code)—applicability of State law*

Subsection (a) strikes an internal effective date which is no longer needed.

Subsection (b) strikes an internal effective date which is no longer needed.

*Sec. 452 (amends sec. 3306 of code)—definitions*

Subsection (a) strikes out an unnecessary citation reference.

Subsection (b) inserts a reference to the United States Code.

Subsection (c) strikes out an unnecessary citation reference.

#### **Chapter 24. Collection of income tax at source on wages**

*Sec. 455 (amends sec. 3402 of code)—income tax collected at source*

Subsection (a) strikes withholding tax tables applicable to 1970 and 1971.

Subsection (b) makes clerical changes as a result of subsection (a).

Subsection (c) updates the effective date (relating to wage bracket withholding), and makes clerical changes as a result of subsection (a).

Subsection (d) changes a reference to conform to the amendment of section 2 by the Tax Reform Act of 1969.

*Sec. 456—clerical amendments*

Subsection (a) strikes out the term "Territory," since there are no longer any territories, in those sections of the employment tax subtitle which are not otherwise amended by this bill.

Subsection (b) strikes out the words "or his delegate" since the definition of "Secretary" is amended by sec. 726 of the bill to include his delegates.

Subsection (c) replaces "Secretary" with "Secretary of the Treasury" in sections 3303, 3304, 3305, and 3310.

Subsection (d) strikes the reference to section 3113 in the table of sections for subchapter B of chapter 21 since section 3113 is repealed by sec. 432 of the bill.

*Sec. 457—effective date of employment tax amendments*

The amendments made by Title III of the bill are applicable to wages paid after December 31, 1971, except that the amendments to chapter 22 (Railroad Retirement Tax Act) are applicable to compensation for services rendered after December 31, 1971.

**TITLE IV OF BILL: AMENDMENTS OF SUBTITLE D  
(MISCELLANEOUS EXCISE TAXES)**

**Chapter 31. Retailers excise taxes***Sec. 501 (amends ch. 31 of code)—special fuels*

Subsection (a) changes the title of chapter 31 from "Retailers Excise Taxes" to "Special Fuels" and strikes out obsolete tables of subchapters, etc., since the whole chapter will now have only one section.

Subsection (b) incorporates into section 4041(g) the substance of existing sections 4055 (also removes reference to Territory), 4056, and 4057, which are repealed by sec. 401(d).

Subsection (c) adds section 4041(i), which incorporates the substance of existing section 4054, which is repealed by sec. 401(d).

Subsection (d) repeals sections 4042 (cross reference), 4054 (moved to section 4041(i)), 4055 (moved to section 4041(g)(2)), 4056 (moved to section 4041(g)(3)), 4057 (moved to section 4041(g)(4)), and 4058 (cross references).

**Chapter 32. Manufacturers excise taxes***Sec. 502 (amends sec. 4217 of code)—leases*

This amendment strikes out a transition rule for leases entered into before January 1, 1959, where the leases are treated as sales subject to manufacturers excise taxes.

*Sec. 503 (repeals sec. 4225 of code)—articles manufactured by Indians*

This provision repeals manufacturers excise tax exemption for articles of native Indian handicraft manufactured or produced by Indians. Of the 17 sections imposing manufacturers excise taxes in the 1932 Revenue Act (when this exemption for Indians was added on the Senate floor), 12 have been entirely repealed (including furs

and jewelry). The remaining 5 sections are inapplicable to "native Indian handicraft", with the remotely possible exception of fishing rods, taxed under section 4161.

*Sec. 504 (repeals sec. 4226 of code)—floor stocks taxes*

This provision repeals floor stock tax provisions relating to specified items held in dealers' stocks on various past dates, the most recent of which is tires and tubes held by manufacturers' retail outlets on October 1, 1966.

### **Chapter 33. Facilities and services**

*Sec. 505 (amends sec. 4253 of code)—exemptions from the tax on communications services*

This amendment transfers the exemptions from the tax on communications services provided by section 4292 for State and local governments and section 4294 for nonprofit educational organizations to the section devoted to exemptions from this tax. Sec. 507 of the bill repeals sections 4292 and 4294.

*Sec. 506 (amends sec. 4261 and 4271 of code)—taxes on transportation by air*

These amendments strike out internal effective dates (June 30, 1970) which are no longer needed.

*Sec. 507 (repeals secs. 4292 and 4294 of code)—exemptions from the tax on communications services*

This amendment repeals the provisions relating to the exemptions from the tax on communications services for State and local governments and nonprofit educational organizations. These provisions have been transferred (sec. 505 of the bill) to section 4253, which is devoted to exemptions from this tax.

### **Chapter 34. Documentary stamp taxes**

*Sec. 508 (amends ch. 34 of code)—policies issued by foreign insurers*

Subsection (a) changes the title of chapter 38 from "Documentary Stamp Taxes" to "Policies Issued by Foreign Insurers", strikes out obsolete tables of subchapters, etc., and revises the remaining provisions.

New section 4371 conforms present section 4371 to the fact that the tax imposed thereby is now paid by return and not by stamp.

New section 4372(a) corresponds to present section 4372(a) and present section 4382(a)(1).

The remainder of new section 4372 and all of new section 4273 are conformed to use the word "chapter" instead of "subchapter" and to strike out "Territory."

New section 4374 corresponds to present section 4384, and is changed to reflect payment by returns rather than stamps.

Present sections 4374, 4375, 4382, and 4383 are repealed to reflect the change from stamps to returns and to reflect the 1965 repeals of other documentary stamp taxes.

Subsection (b) conforms a section 7270 reference to section 4374, to reflect payment by returns rather than stamps.

**Chapter 36. Certain other excise taxes**

*Sec. 509 (amends sec. 4493 of code)—certain persons engaged in foreign air commerce*

This amendment strikes out an internal effective date (July 1, 1970) which is no longer needed. The amendment also strikes out the transition rule for July 1, 1970 through June 30, 1971, but provides a special effective date of July 1, 1971, in the bill for this transition rule deletion.

**Chapter 37. Sugar, coconut and palm oil**

*Sec. 520 (amends ch. 37 of code)—sugar, coconut and palm oil*

This amendment changes the title of chapter 37 from "Sugar, Coconut and Palm Oil" to "Sugar" and strikes out obsolete tables of subchapters, etc.

**Chapter 38. Import taxes**

*Sec. 521 (repeals secs. 4591 to 4597 of code)—import taxes*

This provision strikes out provisions relating to taxes on imported oleomargarine. Requirements as to wholesomeness and purity are enforced by the Food and Drug Administration outside the requirements of the Code. No taxes are collected under these provisions. At present, they serve no internal revenue purpose. Since the other subchapters of this chapter were repealed in 1962, the entire chapter is repealed.

**Chapter 39. Regulatory taxes**

Sections 522 and 523 of the bill repeal subchapters B, C, D, and E of chapter 39. The other subchapters were repealed in 1970 (subchapter A) and 1963 (subchapter F).

*Sec. 522 (amends ch. 39 of code)—regulatory taxes*

Subsection (a) repeals provisions relating to taxes on white phosphorus matches. The Food and Drug Administration has stated that any act taxable under these provisions is illegal under other provisions of Federal law and that these provisions are not needed for effective enforcement. No tax is collected under these provisions.

Subsection (b) repeals provisions relating to taxes on adulterated butter and filled cheese. Requirements as to wholesomeness and purity of these products are enforced by the Food and Drug Administration outside the provisions of the Code. No taxes are collected as to adulterated butter; the filled cheese tax collections have ranged in recent years between \$2,000 and \$5,000 per year. These taxes date from the 1890's, when they served the dual functions of restricting trade in these items and insuring purity (e.g., restricting the use of rancid butter). At present, they serve no internal revenue purpose. Appropriate regulation of commerce can be accomplished in other provisions of law.

Subsection (c) repeals provisions relating to circulation of other than national banks. The Comptroller of the Currency has stated that any act taxable under these provisions is also illegal under other provisions of Federal law and that these provisions are not needed for effective enforcement. No tax is collected under these provisions.

*Sec. 523—cotton futures*

This amendment repeals provisions taxing cotton futures contracts. These provisions impose prohibitory taxes upon cotton futures contracts which do not meet the requirements set forth in these provisions and in related Department of Agriculture regulations. No tax is collected under these provisions. These code provisions provide the necessary authority to regulate the cotton futures market. The bill reenacts these provisions (providing appropriate penalties), which results in transferring the law on this subject out of the Internal Revenue Code. See legislative findings in title 7 of the United States Code at sections 5, 6a (first sentence), and 2101 (second and third sentences). The material in this section has been reviewed by the Department of Agriculture, the New York Cotton Exchange, and the staff of the Committee on Agriculture of the House of Representatives.

**Chapter 40. General provisions relating to occupational taxes***Sec. 524 (amends sec. 4901 of code)—payment of occupational taxes*

This amendment strikes out an occupational tax stamp provision since all the taxes to which that provision applies are now being paid by returns rather than stamps.

*Sec. 525 (amends sec. 4905 of code)—registration*

This amendment conforms a cross reference to repeal of the white phosphorus match provisions.

**Chapter 41. Interest equalization tax***Sec. 526 (amends sec. 4911 of code)—interest equalization tax*

This amendment strikes out two provisions relevant to 1967 that can no longer apply.

*Sec. 527 (amends sec. 4914 of code)—excluded acquisitions*

Subsection (a) changes a cross reference from section 151(e)(4) to section 170(b)(1)(A)(ii) to consolidate in one section the definition of "educational organization."

Subsections (b) and (c) substitute specific dates (October 2, 1964, and October 9, 1965) for references to dates of enactment.

*Sec. 528 (amends sec. 4917 of code)—exclusions required for international monetary stability*

This amendment strikes out transition rules relating to 1963-1965.

**Chapter 42. Private foundations***Sec. 529 (amends secs. 4941 and 4945 of code)—grants to government officials and to individuals*

This amendment changes cross references from section 151(e)(4) to section 170(b)(1)(A)(ii) to consolidate in one section the definition of "educational organization."

*Sec. 530—clerical amendments*

This amendment strikes out the term "Territory," since there are no longer any Territories, in those sections of the miscellaneous excise tax subtitle which are not otherwise amended by this bill. The amendment

also strikes out the words "or his delegate," since the definition of "Secretary" is amended by sec. 726 of the bill to include his delegates. The amendment also makes other clerical changes.

*Sec. 531—effective date of miscellaneous excise tax amendments*

This provision provides that the amendments of subtitle D (secs. 501–530 of the bill) are to take effect on the first day of the first month which begins more than 90 days after the date of enactment.

**TITLE V OF BILL: AMENDMENTS OF SUBTITLE E  
(ALCOHOL, TOBACCO, AND CERTAIN OTHER EXCISE  
TAXES)**

**Chapter 51. Distilled spirits, wines, and beer**

**Subchapter A. Gallonage Taxes**

*Sec. 541 (amends sec. 5005 of code)—persons liable for tax on distilled spirits*

This amendment strikes out internal effective dates (July 1, 1959) which are no longer needed.

*Sec. 542 (amends sec. 5007 of code)—collection of tax on distilled spirits*

This amendment strikes out a sentence, the substance of which is then inserted by sec. 548(c) of the bill as new section 5061(c).

*Sec. 543 (amends sec. 5008 of code)—abatement, etc.*

This amendment strikes out an internal effective date.

*Sec. 544 (amends sec. 5025 of code)—exemption from rectification tax*

This amendment permits stabilization without payment of verification tax preparatory to export as well as preparatory to bottling, a relaxation of a restriction no longer needed.

*Sec. 545 (amends sec. 5026 of code)—determination and collection of rectification tax*

This amendment conforms section 5026(b) to the revised language of section 5061(b).

*Sec. 546 (amends sec. 5043 of code)—collection of tax on wines*

This amendment conforms section 5043(b) to the revised language of section 5061(b).

*Sec. 547 (amends sec. 5054 of code)—determination and collection of tax on beer*

This section strikes out an unused beer stamp provision.

*Sec. 548 (amends sec. 5061 of code)—method of collecting tax*

Subsection (a) strikes out an obsolete stamp tax requirement (the taxes to which it applies are all paid by return).

Subsection (b) strikes out authority to use stamps, coupons, tickets, machines, etc., as alternate methods of collecting alcohol taxes since those methods have neither been implemented nor are to be implemented. Taxable items which are illegally produced or used will be subject to the rules for taxes payable by return but for which no return has been filed.

Subsection (c) strikes out a provision which is no longer needed, because it applied only to the unusual methods of collection stricken from the statute by subsection (b). In its place, there is substituted language making it clear that the internal revenue taxes are generally imposed in addition to customs duties. This replaces language in other parts of subtitle E (see secs. 542 and 585 of the bill) and conforms to the Tariff Schedules.

Subsection (d) strikes out a cross reference which is already obsolete in fact and which this bill makes obsolete in law.

*Sec. 549 (repeals sec. 5104 of code)—method of payment of tax on stills*

This provision repeals existing provisions that taxes on stills be paid by stamp; the taxes are now paid by return, with stamps used only as receipts or evidence of payment.

*Sec. 550 (amends sec. 5105 of code)—notice of manufacture of and permit to set up still*

This amendment conforms a cross reference to an amendment of section 5601(b) by sec. 575 of the bill.

*Sec. 551 (amends sec. 5111 of code)—tax on wholesale dealers*

This amendment strikes out a sentence describing the Commissioner's authority to issue special stamps to wholesale liquor dealers; the provision is little used and the Commissioner has the necessary authority without this sentence. A similar change is made in section 5121 by sec. 554 of the bill. (See sec. 558 of the bill.)

*Sec. 552 (amends sec. 5113 of code)—exemptions*

This amendment conforms provisions relating to distilled spirits retailers with the provisions relating to wine and beer retailers.

*Sec. 553 (amends sec. 5117 of code)—prohibited purchases by dealers*

These amendments conform provisions relating to distilled spirits retailers with the provisions relating to wine and beer retailers.

*Sec. 554 amends sec. 5121 of code)—tax on retail dealers*

These amendments remove obsolete stamp provisions (similar to those removed by sec. 551 of the bill, see sec. 558 of the bill) and conforms provisions relating to distilled spirits retailers with the provisions relating to wine and beer retailers.

*Sec. 555 (amends sec. 5122 of code)—definitions*

This amendment conforms provisions relating to distilled spirits retailers with the provisions relating to wine and beer retailers.

*Sec. 556 (amends sec. 5131 of code)—eligibility for drawback*

This amendment removes obsolete and redundant language and places all taxpaid distilled spirits on the same footing with regard to tax drawback for nonbeverage use.

*Sec. 557 (amends sec. 5142 of code)—payment of occupational taxes*

This amendment repeals existing provisions that occupational taxes be paid by stamp; the taxes are now paid by return, with stamps used only as receipts or evidence of payment.

*Sec. 558 (repeals sec. 5144 of code)—supply of stamps*

This provision repeals a provision regarding the Commissioner's authority to issue special stamps for occupational taxes; the Commissioner has the necessary authority without this section. (See secs. 551 and 554 of the bill.)

**Subchapter B. Qualification requirements for distilled spirits plants**

*Sec. 565 (amends sec. 5171 of code)—establishment of distilled spirits plants*

This amendment strikes out a June 30, 1959, transitory provision.

*Sec. 566 (amends sec. 5174 of code)—withdrawal bonds*

This amendment clarifies an internal cross reference ("such spirits") so that the same payment procedures apply to distilled spirits bottled in bond and distilled spirits bottled in bottling premises.

*Sec. 567 (amends sec. 5177 of code)—cross references*

This amendment strikes out incorrect cross reference.

*Sec. 568 (amends sec. 5179 of code)—registration of stills*

This amendment strikes out a cross reference to a provision to be stricken from the Code by sec. 575 of the bill.

**Subchapter C. Operation of distilled spirits plants**

*Sec. 569 (amends sec. 5222 of code)—distilling materials*

This amendment strikes out cross references to provisions to be stricken from the Code by sec. 575 of the bill.

*Sec. 570 (amends sec. 5234 of code)—mingling and blending of distilled spirits*

This amendment conforms the time limit for mingling of distilled spirits with the time limit in section 5006(a)(2) for storing distilled spirits in bond. The latter limit had been raised from 8 years to 20 years in 1958.

**Subchapter E. General provisions regarding distilled spirits**

*Sec. 571 (amends sec. 5314 of code)—application of certain provisions to Puerto Rico*

This amendment corrects an erroneous cross reference.

*Sec. 572 (repeals sec. 5315 of code)—status of certain distilled spirits on July 1, 1959*

This provision repeals a July 1, 1959, transitional provision.

**Subchapter F. Bonded and taxpaid wine premises**

*Sec. 573 (amends sec. 5368 of code)—gauging, marking, and stamping*

This amendment removes references to stamps, since the section applies only to wines and stamps are not used for wines.

**Subchapter H. Miscellaneous plants and warehouses**

*Sec. 574 (amends sec. 5505 of code)—applicability of provisions of chapter 51*

This amendment strikes out a cross reference to a provision to be stricken from the Code by sec. 575 of the bill.

**Subchapter J. Penalties, seizures, and forfeitures relating to liquors**

*Sec. 575 (amends sec. 5601 of code)—criminal penalties*

This amendment strikes out paragraphs (1), (3), and (4) of present section 5601 (b)—presumptions which either have been specifically declared to be unconstitutional or which the Internal Revenue Service believes to be unconstitutional.

*Sec. 576 (amends sec. 5662 of code)—penalty for alteration of wine labels*

This amendment removes references to stamps, since stamps section applies only to wines and stamps are not used for wines.

*Sec. 577 (repeals sec. 5676 of code)—penalties relating to beer stamps*

This provision repeals a section providing penalties for violation of beer stamp provisions, since stamps are not used for beer.

*Sec. 578 (amends sec. 5685 of code)—penalty for possession of certain devices*

This amendment strikes out "Territory or" and conforms cross references and a definition to changes in chapter 53 made by the Gun Control Act of 1968.

*Sec. 579 (repeals sec. 5689 of code)—tampering with stamp machines*

This provision repeals section dealing with stamp machines, which are not used and authority for which is stricken by sec. 548 of the bill.

**Chapter 52. Tobacco, cigars, cigarettes, and cigarette papers and tubes**

*Sec. 585 (amends sec. 5701 of code)—rate of tax on tobacco products*

This amendment conforms language relating to tobacco tax to language relating to alcohol tax in new section 506(c) as amended by sec. 548 of the bill.

*Sec. 586 (amends sec. 5703 of code)—liability for tax and method of payment*

Subsection (a) conforms language relating to tobacco tax to administrative practice and to statutory language relating to wines and distilled spirits.

Subsections (b) and (c) strike out obsolete tobacco tax stamp provisions.

*Sec. 587 (amends sec. 5704 of code)—exemptions*

This amendment relaxes an unneeded restriction by permitting proprietors of export warehouses to import cigarettes, etc., in bond directly, rather than through a manufacturer, as is required by present law.

*Sec. 588 (amends sec. 5712 of code)—application for permit*

This amendment strikes out a September 2, 1958, transitional provision.

*Sec. 589 (amends sec. 5723 of code)—packages, marks, labels, notices, and stamps*

This amendment strikes out obsolete tobacco tax stamp provisions and makes a conforming change in the heading of the section.

*Sec. 590 (amends sec. 5751 of code)—prohibited activities*

This amendment strikes out obsolete tobacco tax stamp provisions.

*Sec. 591 (amends sec. 5752 of code)—restrictions on marks, etc.*

This amendment strikes out obsolete tobacco tax stamp provisions.

*Sec. 592 (amends sec. 5762 of code)—criminal penalties*

This amendment strikes out obsolete tobacco tax stamp provisions.

*Sec. 593 (amends sec. 5763 of code)—forfeitures*

This amendment strikes out obsolete tobacco tax stamp provisions.

*Sec. 594—clerical amendments*

This amendment strikes out the term "Territory," since there are no longer any territories, in those sections of the alcohol, tobacco and firearms tax subtitle which are not otherwise amended by this bill. The amendment also strikes out the words "or his delegate" since the definition of "Secretary" is amended by sec. 726 of the bill to include his delegates. The amendment also makes other clerical changes.

*Sec. 595—effective date, alcohol, tobacco, and certain other excise tax amendments*

This provision provides that the amendments of subtitle E (secs. 541-594 of the bill) are to take effect on the first day of the first month which begins more than 90 days after the date of enactment.

#### **TITLE VI OF BILL: AMENDMENTS OF SUBTITLE F (PROCEDURE AND ADMINISTRATION)**

##### **Chapter 61. Information and returns**

*Sec. 601 (amends sec. 6013 of code)—joint returns*

These amendments are clerical, such as the one which deals with the new name of the Tax Court.

*Sec. 602 (amends sec. 6015 of code)—estimated tax*

This amendment strikes out an obsolete effective date provision.

*Sec. 603 (amends sec. 6046 of code)—information as to organization of foreign corporation*

This amendment eliminates special rules applicable to liabilities arising during the first 5 months of 1963.

*Sec. 604 (amends sec. 6049 of code)—returns as to payments of interest*

This amendment conforms to a cross reference to changes made by sec. 121 of the bill, revising section 103 of the Code.

*Sec. 605 (amends sec. 6065 of code)—verification of returns*

This amendment eliminates the authority to require returns, etc., to be verified by oaths, rather than under penalty of perjury. That authority is not now used and is not expected to be used.

*Sec. 606 (amends sec. 6072 of code)—time for filing income tax returns*

This amendment strikes out references to China Trade Act Corporations. See sec. 285 of the bill.

*Sec. 607 (amends sec. 6091 of code)—place for filing returns*

This amendment strikes out a reference to China Trade Act Corporations. See sec. 285 of the bill.

*Sec. 608 (repeals sec. 6096 of code)—presidential election campaign fund*

This amendment strikes out provisions relating to payments to the Presidential Election Campaign Fund. This Code provision never became effective.

*Sec. 609 (amends sec. 6103 of code)—publicity of returns*

These amendments strike out a reference to coconut and palm oil taxes (repealed in 1962) and make use of the shortened name of the Joint Committee (see sec. 741 of the bill).

*Sec. 610 (repeals sec. 6105 of code)—compilation of data for certain excess profits tax cases*

This amendment strikes out a provision for compilation of data for excess profits tax cases under section 722 of the 1939 Code.

*Sec. 611 (amends sec. 6110 of code)—cross references*

This is a clerical amendment to strike out cross references relating to cotton futures (see sec. 523 of the bill) and to narcotics provisions repealed by the Comprehensive Drug Abuse Prevention and Control Act of 1970.

**Chapter 62. Time and place for paying tax***Sec. 620 (amends sec. 6152 of code)—installment payments*

This amendment strikes out a special rule for taxable years ending before December 31, 1954.

*Sec. 621 (amends sec. 6154 of code)—installment payments of estimated tax by corporations*

These amendments strike out various rules applicable to the years 1968, 1969, 1970, and 1971.

*Sec. 622 (amends sec. 6157 of code)—payment of federal unemployment tax on quarterly or other time period basis*

The amendment strikes out special rules for years 1970 and 1971.

*Sec. 623 (repeals sec. 6162 of code)—payment of tax on liquidation of certain personal holding companies*

This amendment strikes the section which dealt with the time for payment of tax on gain on liquidation before 1956 of certain personal holding companies.

*Sec. 624 (amends sec. 6166 of code)—extension of time for payment of estate tax*

Subsection (a) eliminates a 1958 effective date provision.

Subsection (b) strikes out a special provision relating to a taxable year ending before 1960.

#### **Chapter 63. Assessment**

*Sec. 630 (amends sec. 6205 of code)—certain employment taxes*

This is a clerical amendment dealing with the title of the Commissioner of the District of Columbia.

*Sec. 631 (amends sec. 6207 of code)—cross references*

This amendment strikes out a cross reference to provisions repealed in 1962.

*Sec. 632 (amends sec. 6211 of code)—definition of a deficiency*

This amendment makes a clarifying change to conform to the provisions of the Tax Reform Act of 1969.

*Sec. 633 (amends sec. 6212 of code)—notice of deficiency*

This amendment strikes out a cross reference to the section dealing with war loss recoveries (deleted by sec. 354 of the bill).

*Sec. 634 (amends sec. 6213 of code)—restrictions on deficiencies; petition to Tax Court*

These are clerical amendments to make use of the definition of the term "United States" and to correct an erroneous cross reference.

#### **Chapter 64. Collection**

*Sec. 640 (amends sec. 6302 of code)—collection of certain excise taxes*

This is a clerical amendment to strike out references to certain obsolete provisions dealing with the taxes on coconut and palm oil (repealed in 1962) and on narcotics (repealed in 1970).

*Sec. 641 (repeals sec. 6304 of code)—collection under Tariff Act*

This amendment repeals a cross reference to provisions repealed in 1962.

#### **Chapter 65. Abatements, credits and refunds**

*Sec. 645 (amends sec. 6405 of code)—reports of refunds and credits*

This is a clerical amendment relating to the shortened title of the Joint Committee (see sec. 741 of the bill).

*Sec. 646 (amends sec. 6413 of code)—certain employment taxes*

Subsections (a) and (d) are clerical amendments relating to the title of the Commissioner of the District of Columbia.

Subsections (b) and (c) are clerical amendments to reflect the social security ceiling of \$9,000 on wages and to strike out internal effective date provisions and special rules applicable to 1951-1971.

Subsection (e) strikes out an internal effective date (1967).

*Sec. 647 (amends sec. 6416 of code)—certain taxes on sales and services*

Subsection (a) is a clerical amendment to strike out a reference to retailers excise taxes.

Subsection (b) is a clerical amendment to eliminate references to various provisions dealing with past treatment of retailers taxes on fuels.

Subsection (c) is a clerical amendment to modify a reference to a provision revised by sec. 501 of the bill).

*Sec. 648 (repeals sec. 6417 of code)—coconut and palm oil*

This amendment strikes out a section relating to the former tax on coconut and palm oil, repealed in 1962.

*Sec. 649 (amends sec. 6420 of code)—gasoline used on farms*

Subsection (a) deletes obsolete provisions concerning claims for refund of gasoline tax for periods before 1965.

Subsection (b) conforms the section to an amendment made by sec. 647 of the bill.

Subsection (c) corrects a 1956 typographical error.

Subsections (d) and (e) eliminate obsolete effective date provisions.

*Sec. 650 (amends sec. 6421 of code)—gasoline used for nonhighway purposes or by local transit systems*

Subsection (a) eliminates an internal effective date (June 30, 1970).

Subsection (b) eliminates obsolete provisions concerning claims for refund of gasoline tax for periods prior to 1965.

Subsection (c) strikes out an internal effective date (June 30, 1965).

Subsection (d) strikes out an internal effective date (June 30, 1965).

*Sec. 651 (amends sec. 6422 of code)—cross references*

This amendment strikes out a cross reference to a provision repealed by sec. 353 of the bill.

*Sec. 652 (amends sec. 6423 of code)—credit or refund of alcohol and tobacco taxes*

These amendments delete internal effective dates (April 30, 1958, April 30, 1959, and June 15, 1957).

*Sec. 653 (amends sec. 6424 of code)—lubricating oil*

Subsection (a) eliminates a transition rule for taxable years beginning in 1966.

Subsection (b) strikes out an internal effective date (December 31, 1965).

*Sec. 654 (amends sec. 6427 of code)—fuels not used for taxable purposes*

This amendment strikes out an internal effective date (June 30, 1970).

**Chapter 66. Limitations**

*Sec. 660 (amends sec. 6503 of code)—suspension of running of period of limitation*

This amendment strikes out a provision relating to certain powers of appointment (repealed in sec. 406) and also makes a conforming change.

*Sec. 661 (amends sec. 6504 of code)—cross references*

These amendments strike out cross reference to various provisions which are repealed by secs. 353, 354, and 357 of the bill.

*Sec. 662 (amends sec. 6511 of code)—limitations on credit or refund*

These amendments strike out internal effective date provisions (September 1, 1959, and December 31, 1965).

*Sec. 633 (amends sec. 6515 of code)—cross references*

These amendments strike out cross references to other provisions which are repealed by secs. 353 and 354 of the bill.

**Chapter 67. Interest***Sec. 670 (amends sec. 6601 of code)—interest on underpayments*

This amendment strikes out an obsolete reference to a provision of the 1939 Code, relating to interest on estimated tax payments.

**Chapter 68. Additions to the tax, additional amounts, and assessable penalties***Sec. 671 (amends sec. 6654 of code)—failure by individual to pay estimated tax*

Subsection (a) is a clerical amendment relating to self-employment income to reflect the post-1971 ceiling of \$9,000 on taxable wages for social security purposes.

Subsection (b) strikes out an internal effective date (December 31, 1954).

*Sec. 672 (amends sec. 6655 of code)—failure by corporation to pay estimated tax*

These amendments strike out obsolete effective date provisions and transitional rules relating to 1968-1971.

**Chapter 69. General provisions relating to stamps***Sec. 673 (amends secs. 6802 and 6803 of code)—distribution and accounting for stamps*

Subsection (a) is a clerical amendment to section 6802, substituting a period for a semicolon.

Subsections (b) and (c) amend section 6803 to strike out erroneous references to a paragraph of section 6802.

*Sec. 674 (amends sec. 6808 of code)—cross references*

This amendment strikes out cross references to several provisions repealed by secs. 521, 522, and 523 of the bill and by the Comprehensive Drug Abuse Prevention and Control Act of 1970.

**Chapter 70. Jeopardy, bankruptcy and receiverships***Sec. 675 (amends sec. 6863 of code)—jeopardy assessments*

This amendment strikes out an internal effective date (January 1, 1955).

**Chapter 72. Licensing and registration***Sec. 680 (amends sec. 7012 of code)—cross references*

This amendment strikes out a cross reference to the tax on white phosphorus matches (repealed by sec. 522 of the bill).

**Chapter 73. Bonds***Sec. 681 (amends sec. 7103 of code)—cross references*

This amendment strikes out cross references to taxes on coconut and palm oil, oleomargarine, adulterated butter, filled cheese, and white phosphorus matches (repealed by secs. 521 and 522 of the bill and by legislation enacted in 1962).

**Chapter 75. Crimes, other offenses, and forfeitures**

*Sec. 685 (repeals sec. 7233 of code)—failure to pay tax on cotton futures*

This repeals a section dealing with failure to pay tax on cotton futures (repealed by sec. 523 of the bill).

*Sec. 686 (repeals sec. 7234 of code)—violation of oleomargarine or adulterated butter laws*

This section repeals provisions relating to violations concerning the tax on oleomargarine and adulterated butter (repealed by secs. 521 and 522 of the bill).

*Sec. 687 (repeals sec. 7235 of code)—violation of adulterated butter laws*

This section repeals provisions relating to violations of law concerning adulterated butter and process or renovated butter (repealed by sec. 522 of the bill).

*Sec. 688 (repeals sec. 7236 of code)—violation of laws relating to filled cheese*

This repeals a section concerning violations of law involving the tax on filled cheese (repealed by sec. 522 of the bill).

*Sec. 689 (repeals sec. 7239 of code)—violation of laws relating to white phosphorus matches*

This repeals a provision relating to violations of law with respect to white phosphorus matches (repealed by sec. 522 of the bill).

*Sec. 690 (amends sec. 7240 of code)—officials speculating in sugar*

This is a clerical amendment to conform to changes made by sec. 520 of the bill.

*Sec. 691 (amends sec. 7241 of code)—fraudulent interest equalization tax certificates*

Subsection (a) provides the date of enactment of the original Interest Equalization Tax Act.

Subsection (b) provides the date of the enactment of the 1967 amendments of the Interest Equalization Tax Act.

*Sec. 692 (repeals sec. 7263 of code)—penalties relating to cotton futures*

This repeals penalties with respect to the tax on cotton futures (repealed by sec. 523 of the bill).

*Sec. 693 (repeals sec. 7264 of code)—offenses relating to renovated or adulterated butter*

This repeals penalties concerning the tax on renovated or adulterated butter (repealed by sec. 522 of the bill).

*Sec. 694 (repeals sec. 7265 of code)—offenses relating to oleomargarine or adulterated butter*

This repeals a provision relating to the taxes on oleomargarine and adulterated butter (repealed by secs. 521 and 522 of the bill).

*Sec. 695 (repeals sec. 7266 of code)—offenses relating to filled cheese*

This repeals provisions concerning the tax on filled cheese (repealed by sec. 522 of the bill).

*Sec. 696 (repeals sec. 7267 of code)—offenses relating to white phosphorus matches*

This repeals provisions concerning the tax on white phosphorus matches (repealed by sec. 522 of the bill).

*Sec. 697 (amends sec. 7271 of code)—offenses relating to stamps*

This strikes out an obsolete provision (relating to payment of tax by stamps).

*Sec. 698 (amends sec. 7272 of code)—failure to register*

This strikes out a cross reference to the tax on white phosphorus matches (repealed by sec. 522 of the bill) and also cross reference to narcotic provisions (repealed by the Comprehensive Drug Abuse Prevention and Control Act of 1970).

*Sec. 699 (repeals sec. 7274 of code)—offenses relating to white phosphorus matches*

This strikes out another provision relating to the tax on white phosphorus matches (repealed by sec. 522 of the bill).

*Sec. 700 (amends sec. 7303 of code)—property subject to forfeiture*

These amendments strike out provisions relating to the taxes on oleomargarine, adulterated butter, filled cheese, and white phosphorus matches (repealed by secs. 521 and 522 of the bill).

*Sec. 701 (repeals sec. 7328 of code)—confiscation of matches exported*

This repeals a provision relating to confiscation of white phosphorus matches since the tax is repealed by sec. 522 of the bill.

#### **Chapter 76. Judicial proceedings**

*Sec. 710 (amends sec. 7422 of code)—civil actions for refund*

These amendments strike out an internal effective date (June 15, 1942).

*Sec. 711 (repeals sec. 7492 of code)—enforceability of cotton futures contracts*

This repeals a provision relating to enforceability of cotton futures contracts since the tax on such contracts is repealed by sec. 523 of the bill.

#### **Chapter 77. Miscellaneous provisions**

*Sec. 712 (amends sec. 7507 of code)—exemption of insolvent banks*

These amendments strike out an obsolete date (May 28, 1938) for refunds of taxes paid by insolvent banks.

*Sec. 713 (amends sec. 7508 of code)—time for performing certain acts*

Subsection (a) is a clerical amendment to change the heading to refer to service "in combat zone".

Subsection (b) is a clerical amendment to make use of the defined term "United States".

#### **Chapter 78. Discovery of liability and enforcement of title**

*Sec. 720 (amends sec. 7609 of code)—cross references*

This strikes out cross references to the taxes on oleomargarine and butter (repealed by secs. 521 and 522 of the bill).

*Sec. 721 (amends sec. 7621 of code)—internal revenue districts*

This is a clerical amendment (relating to boundaries of internal revenue districts) to conform to the absence of "Territories".

*Sec. 722 (repeals sec. 7641 of code)—supervision of certain manufacturers*

This strikes out subchapter C of chapter 78, administrative provisions with respect to the taxes on oleomargarine, filled cheese, adulterated butter, and white phosphorus matches, all items repealed by secs. 521 and 522 of the bill.

*Sec. 723 (amends sec. 7652 of code)—shipments to the United States*

Subsection (a) is a clerical amendment to delete an obsolete effective date of June 30, 1954 (relating to disposition of tax collections).

Subsection (b) strikes out obsolete provisions relating to payments to the Virgin Islands of taxes collected in 1955 and 1956.

*Sec. 724 (repeals sec. 7654 of code)—payment to Guam and American Samoa of certain taxes*

This repeals a provision relating to the tax on coconut and palm oil, which was repealed in 1962.

*Sec. 725 (amends sec. 7655 of code)—cross references*

This is a clerical amendment to conform to the amendments made by sec. 520 of the bill.

**Chapter 79. Definitions***Sec. 726 (amends sec. 7701 of code)—definitions*

Subsection (a) strikes out a reference to "Territory".

Subsection (b) defines the term "Secretary" as the Secretary of the Treasury or his delegate. It also provides that the term "Secretary of the Treasury" means the Secretary personally—not including any delegate.

Subsection (c) redefines the term "or his delegate" for purposes of the Code.

Subsection (d) strikes out the words "or his delegate" each time they appear in certain paragraphs of section 7701(a).

*Sec. 727 (amends sec. 7809 of code)—deposit of collections*

This amendment deletes cross references to provisions repealed by sec. 724 of the bill or by the Comprehensive Drug Abuse Prevention and Control Act of 1970.

*Sec. 728—clerical amendments*

This amendment strikes out the term "Territory," since there are no longer any territories, in those sections of the procedure and administration subtitle which are not otherwise amended by this bill. The amendment also strikes out the words "or his delegate" since the definition of "Secretary" is amended by sec. 726 of the bill to include his delegates. The amendment also makes other clerical changes.

*Sec. 729—effective date of procedure and administration amendments*

This section provides that the amendments made by title VI of the bill shall take effect on the first day of the first month which begins

more than 90 days after the date of enactment, except that any amendment relating to income taxes shall apply to taxable years beginning after December 31, 1971.

**TITLE VII OF BILL: AMENDMENTS OF SUBTITLE G  
(THE JOINT COMMITTEE)**

*Sec. 741 (amends subtitle G)—the Joint Committee*

Subsection (a) changes the name of the Joint Committee on Internal Revenue Taxation to the Joint Committee on Taxation. This change is made in the interest of brevity and does not change the functions of the Joint Committee. The duties of the Joint Committee are set forth in section 8022 of the Internal Revenue Code and relate only to internal revenue taxes and to the Internal Revenue Service.

Subsection (b) amends section 8004 to refer to the compensation of "the Chief of Staff" instead of "a clerk," thus conforming this provision to the present language of section 8023(b).

Subsection (c) is a clerical amendment to make section 8023(c) (dealing with inapplicability of reorganizations plans to Joint Committee) more readable.

Subsections (d) and (e) are clerical amendments to the heading of the title and to the table of subtitles.

Subsection (f) provides that all references in any other statute, regulation, etc., to the Joint Committee on Internal Revenue Taxation shall be considered to be made to the Joint Committee on Taxation.

Subsection (g) provides that the amendments made by this section of the bill shall take effect on the first day of the first month which begins more than 90 days after the date of enactment.